

**REPORT OF THE AUDIT OF THE
MONTGOMERY COUNTY
FISCAL COURT**

**For The Year Ended
June 30, 2021**



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Wallace Johnson, Montgomery County Judge/Executive
Members of the Montgomery County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Montgomery County Fiscal Court, for the year ended June 30, 2021, and the related notes to the financial statement, which collectively comprise the Montgomery County Fiscal Court's financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. This includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Audit Guide for Fiscal Court Audits* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



To the People of Kentucky
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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the Montgomery County Fiscal Court on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Montgomery County Fiscal Court as of June 30, 2021, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of the Montgomery County Fiscal Court as of June 30, 2021, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government as described in Note 1.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Montgomery County Fiscal Court. The Budgetary Comparison Schedules and the Schedule of Expenditures of Federal Awards (supplementary information), as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Schedule of Capital Assets (other information) are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

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Other Matters (Continued)

Supplementary and Other Information (Continued)

The accompanying Budgetary Comparison Schedules and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedules and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the financial statement as a whole.

The Schedule of Capital Assets has not been subjected to the auditing procedures applied in the audit of the basic financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2022, on our consideration of the Montgomery County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Montgomery County Fiscal Court's internal control over financial reporting and compliance.

Based on the results of our audit, we present the accompanying Schedule of Findings and Questioned Costs included herein, which discusses the following report finding:

2021-001 The Montgomery County Fiscal Court Did Not Properly Amend The Fiscal Year 2021 Budget To Include The Federal American Rescue Plan Act (ARPA) Funds

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

February 22, 2022

MONTGOMERY COUNTY OFFICIALS**For The Year Ended June 30, 2021****Fiscal Court Members:**

Wallace Johnson	County Judge/Executive
Billy Ray Fawns	Commissioner
Jack Adams	Commissioner
Melody Townsend	Commissioner

Other Elected Officials:

Kevin Cockrell	County Attorney
Eric Jones	Jailer (July 1, 2020 through April 1, 2021)
Ian Roberts	Jailer (April 1, 2021 through June 30, 2021)
Chris Cockrell	County Clerk
Tonya Terry	Circuit Court Clerk
David Charles	Sheriff
Floyd Arnold	Property Valuation Administrator
Jimmy Adams	Coroner

Appointed Personnel:

Mary Wilson	County Treasurer
Barbara Burden	Finance Officer

MONTGOMERY COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2021

MONTGOMERY COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2021

	Budgeted Funds			
	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund
RECEIPTS				
Taxes	\$ 11,085,540	\$	\$	\$
Excess Fees	306,287			
Licenses and Permits	143,080			
Intergovernmental	230,057	1,005,918	1,121,146	47,245
Charges for Services	6,430		67,892	
Miscellaneous	137,894	1,906	160,814	
Interest	9,802		103	
Total Receipts	<u>11,919,090</u>	<u>1,007,824</u>	<u>1,349,955</u>	<u>47,245</u>
DISBURSEMENTS				
General Government	2,095,654			
Protection to Persons and Property	333,002		1,940,414	
General Health and Sanitation	246,549			
Social Services	36,820			
Recreation and Culture	12,640			
Transportation Facility and Services		8,514		
Roads		1,529,631		25,000
Airports	25,000			
Debt Service			802,712	
Capital Projects				
Administration	<u>4,098,814</u>	<u>302,245</u>	<u>607,664</u>	
Total Disbursements	<u>6,848,479</u>	<u>1,840,390</u>	<u>3,350,790</u>	<u>25,000</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>5,070,611</u>	<u>(832,566)</u>	<u>(2,000,835)</u>	<u>22,245</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds	29,747			
Payroll Revolving Account	22,833			
Transfers From Other Funds	1,245,611	820,000	2,420,212	
Transfers To Other Funds	<u>(3,275,212)</u>		<u>(203,285)</u>	
Total Other Adjustments to Cash (Uses)	<u>(1,977,021)</u>	<u>820,000</u>	<u>2,216,927</u>	
Net Change in Fund Balance	3,093,590	(12,566)	216,092	22,245
Fund Balance - Beginning (Restated)	<u>4,708,095</u>	<u>450,257</u>	<u>247,787</u>	<u>13,288</u>
Fund Balance - Ending	<u>\$ 7,801,685</u>	<u>\$ 437,691</u>	<u>\$ 463,879</u>	<u>\$ 35,533</u>
Composition of Fund Balance				
Bank Balance	\$ 7,516,073	\$ 437,927	\$ 463,879	\$ 35,533
Revolving Payroll Account Balance	37,818			
Less: Outstanding Checks	(2,206)	(236)		
Certificates of Deposit	<u>250,000</u>			
Fund Balance - Ending	<u>\$ 7,801,685</u>	<u>\$ 437,691</u>	<u>\$ 463,879</u>	<u>\$ 35,533</u>

The accompanying notes are an integral part of the financial statement.

MONTGOMERY COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2021
(Continued)

Budgeted Funds				Unbudgeted Fund	Private Purpose Trust Fund	
Juvenile Fund	Health and Civic Center Fund	CARES Fund	American Rescue Plan Act Fund	Jail Commissary Fund	Finneran Fund	Total Funds
\$	\$	\$	\$	\$	\$	\$ 11,085,540
						306,287
						143,080
	103,662	1,388,674	2,734,584			6,631,286
	1,410			341,693		417,425
	203,646				6,000	510,260
			543		805	11,253
	308,718	1,388,674	2,735,127	341,693	6,805	19,105,131
		308,196				2,403,850
28,800		18,174				2,320,390
	109,509	30,347				386,405
						36,820
				251,555		264,195
						8,514
						1,554,631
						25,000
	112,295					915,007
					6,539	6,539
	28,073					5,036,796
28,800	249,877	356,717		251,555	6,539	12,958,147
(28,800)	58,841	1,031,957	2,735,127	90,138	266	6,146,984
						29,747
						22,833
35,000						4,520,823
(7,747)	(24,520)	(1,010,059)				(4,520,823)
27,253	(24,520)	(1,010,059)				52,580
(1,547)	34,321	21,898	2,735,127	90,138	266	6,199,564
7,747	124,520			47,971	104,926	5,704,591
\$ 6,200	\$ 158,841	\$ 21,898	\$ 2,735,127	\$ 138,109	\$ 105,192	\$ 11,904,155
\$ 6,200	\$ 158,841	\$ 21,898	\$ 2,735,127	\$ 139,680	\$ 30,192	\$ 11,545,350
				(1,571)		37,818
					75,000	(4,013)
						325,000
\$ 6,200	\$ 158,841	\$ 21,898	\$ 2,735,127	\$ 138,109	\$ 105,192	\$ 11,904,155

The accompanying notes are an integral part of the financial statement.

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TO THE FINANCIAL STATEMENT**

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**MONTGOMERY COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2021

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Montgomery County includes all budgeted and unbudgeted funds under the control of the Montgomery County Fiscal Court. Budgeted funds included within the reporting entity are those funds presented in the county's approved annual budget and reported on the quarterly reports submitted to the Department for Local Government. Unbudgeted funds may include non-fiduciary financial activities, private purpose trust funds, and internal service funds that are within the county's control. Unbudgeted funds may also include any corporation to act as the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

B. Basis of Accounting

The financial statement is presented on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves the reporting of fund balances and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

This regulatory basis of accounting differs from GAAP primarily because the financial statement format does not include the GAAP presentations of government-wide and fund financial statements, cash receipts are recognized when received in cash rather than when earned and susceptible to accrual, and cash disbursements are recognized when paid rather than when incurred or subject to accrual.

Generally, except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary sources of receipts for this fund are state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal governments, payments from other counties for housing prisoners, and transfers from the general fund. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

MONTGOMERY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are grants from the state and federal governments.

Juvenile Fund - The primary purpose of this fund is to account for the juvenile expenses of the county.

Health and Civic Center Fund - The primary purpose of this fund is to account for maintenance of the health and civic center of the county. The primary source of receipts for this fund is rent from the outside agencies.

CARES Fund - The primary purpose of this fund is to account for Coronavirus Relief Fund grants and related disbursements. The primary source of receipts for this fund is federal grants.

American Rescue Plan Act (ARPA) Fund - The primary purpose of this fund is to account for ARPA grants and related disbursements. The primary source of receipts for this fund is federal grants.

Unbudgeted Fund

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135. The profits generated from the sale of items are to be used for the benefit and to enhance the well-being of the inmates, or to enhance safety and security within the jail. The jailer is required to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail commissary fund.

D. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board and according to the laws of Kentucky as required by the state local finance officer.

The county judge/executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the state local finance officer. Disbursements may not exceed budgeted appropriations at the activity level.

The state local finance officer does not require the jail commissary fund to be budgeted because the fiscal court does not approve the expenses of this fund.

MONTGOMERY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Montgomery County Elected Officials

Kentucky law provides for election of the officials listed below from the geographic area constituting Montgomery County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of the Montgomery County Fiscal Court.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

F. Deposits and Investments

The government's fund balance is considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition. The government's fund balance includes cash and cash equivalents and investments.

KRS 66.480 authorizes the county to invest in obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

G. Long-term Obligations

The fund financial statement recognizes bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as disbursements. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as disbursements. Debt proceeds are reported as other adjustments to cash.

Note 2. Deposits

The fiscal court maintained deposits of public funds with federally insured banking institutions as required by the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*. The DLG Manual strongly recommends perfected pledges of securities covering all public funds except direct federal obligations and funds protected by federal insurance. In order to be perfected in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the fiscal court and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

MONTGOMERY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of the *DLG County Budget Preparation and State Local Finance Officer Policy Manual*. As of June 30, 2021, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2021.

	General Fund	Jail Fund	Juvenile Fund	Health and Civic Center Fund	CARES Fund	Total Transfers In
General Fund	\$	\$ 203,285	\$ 7,747	\$ 24,520	\$ 1,010,059	\$ 1,245,611
Road Fund	820,000					820,000
Jail Fund	2,420,212					2,420,212
Juvenile Fund	35,000					35,000
Total Transfers Out	<u>\$ 3,275,212</u>	<u>\$ 203,285</u>	<u>\$ 7,747</u>	<u>\$ 24,520</u>	<u>\$ 1,010,059</u>	<u>\$ 4,520,823</u>

Reason for transfers:

To move resources from and to the general fund and other funds, for budgetary purposes, to the funds that will expend them.

Note 4. Custodial Funds

- A. Custodial funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. In accordance with the regulatory basis of accounting, custodial funds are not presented on the financial statement.

The fiscal court has the following custodial fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2021 was \$17,528.

- B. Private-purpose trust funds are used to report all trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

The fiscal court has the following private purpose trust fund:

Finneran Fund - This fund was established by the will and codicil of Mary Ray Finneran. The primary purpose of the fund is to account for trust arrangements in which the reporting government is the beneficiary of the earnings on the principal and that such funds can only be used for "senior citizen purposes."

MONTGOMERY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 5. Long-term Debt

A. Direct Borrowings and Direct Placements

1. Financing Obligation - Civic Center/Health Department Building Renovation

The county entered into a lease purchase agreement on November 6, 2008, with the Kentucky Association of Counties Leasing Trust (KACoLT) for the renovation of the Civic Center/Health Department Building. The principal amount was \$1,500,000. Interest payments are due monthly at an interest rate of 3.54% for 20 years; principal payments are due annually in January. In the event of default, the property may be forfeited. As of June 30, 2021, the principal outstanding was \$680,000. Debt service requirements due for the remaining years are:

<u>Fiscal Year Ending June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
2022	\$ 85,000	\$ 28,716
2023	90,000	24,918
2024	95,000	20,906
2025	95,000	16,763
2026	100,000	12,630
2027-2028	<u>215,000</u>	<u>11,235</u>
Totals	<u>\$ 680,000</u>	<u>\$ 115,168</u>

2. Financing Obligation - Sheriff's Office Vehicles

Montgomery County entered into a lease agreement on June 18, 2019, for \$112,946 for the purchase of three sheriff's office vehicles to be paid in full in May 2023. The lease requires monthly principal and interest payments commencing in June 2019, in a total amount of \$2,686 per month. This debt is paid by the Montgomery County Sheriff's office. In the event of default, the property may be forfeited. As of June 30, 2021, this agreement was paid in full.

3. Financing Obligation - Parks and Recreation Tractor

Montgomery County entered into a lease agreement on May 5, 2018, for \$34,676 for the purchase of a tractor for Montgomery County Parks and Recreation to be paid in full in May 2022. The lease requires monthly principal and interest payments commencing in July 2018. This debt is paid by the Montgomery County Parks and Recreation. In the event of default, the property may be forfeited. As of June 30, 2021, the principal balance on the lease was \$8,455. Lease payments for the remaining years are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
2022	\$ 8,455	\$ 128
Totals	<u>\$ 8,455</u>	<u>\$ 128</u>

MONTGOMERY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 5. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

4. Financing Obligation - Parks and Recreation Vehicle

Montgomery County entered into a lease agreement on November 20, 2020, in the amount of \$29,747 for the purchase of a vehicle for Montgomery County Parks and Recreation to be paid in full in November 2024. The lease requires monthly principal and interest payments commencing in November 2020. This debt is paid by the Montgomery County Parks and Recreation. In the event of default, the property may be forfeited. As of June 30, 2021, the principal balance on the lease was \$26,227. Lease payments for the remaining years are as follows:

Fiscal Year Ending June 30	Scheduled Principal	Scheduled Interest
2022	\$ 7,204	\$ 737
2023	7,432	508
2024	7,667	273
2025	3,924	46
Totals	<u>\$ 26,227</u>	<u>\$ 1,564</u>

B. Other Debt

On February 24, 2012, the fiscal court issued \$1,000,000 of general obligation bonds, series 2011, for the purpose of construction, installation, and equipping of a smoke evacuation system and other improvements to the regional jail. The bonds require semiannual interest payments on January 1 and July 1 of each year commencing on January 1, 2013. One principal payment will be due on January 1 of each year commencing on January 1, 2013. The agreement has an interest rate of 3.75 percent. The bonds will mature January 1, 2040. In the event of default, the bonds are secured by the property secured and the county's ability to impose taxes. As of June 30, 2021, this agreement was paid in full.

C. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 804,988	\$ 29,747	\$ 120,053	\$ 714,682	\$ 100,659
General Obligation Bonds	765,500		765,500		
Total Long-term Debt	<u>\$ 1,570,488</u>	<u>\$ 29,747</u>	<u>\$ 885,553</u>	<u>\$ 714,682</u>	<u>\$ 100,659</u>

MONTGOMERY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 5. Long-term Debt (Continued)

D. Aggregate Debt Schedule

The amount of required principal and interest payments on long-term obligations at June 30, 2021, were as follows:

Fiscal Year Ended June 30	Direct Borrowings and Direct Placements	
	Principal	Interest
2022	\$ 100,659	\$ 29,580
2023	97,432	25,426
2024	102,667	21,179
2025	98,924	16,809
2026	100,000	12,630
2027-2028	215,000	11,235
Totals	<u>\$ 714,682</u>	<u>\$ 116,859</u>

Note 6. Commitments and Contingencies

The county is involved in multiple lawsuits. While individually they may not be significant, in the aggregate they could negatively impact the county's financial position. Due to the uncertainty of the litigation, a reasonable estimate of the financial impact on the county cannot be made at this time.

Note 7. Employee Retirement System

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Effective April 1, 2021, the Kentucky Retirement Systems as an agency of the Commonwealth is now known as the Kentucky Public Pensions Authority (KPPA). The governance of CERS has been transferred to a separate 9-member board of trustees that is responsible for the governance of the CERS pension and insurance plans.

The county's contribution for FY 2019 was \$579,513, FY 2020 was \$624,168, and FY 2021 was \$605,338.

Nonhazardous

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 6 percent of their salary to be allocated as follows: 5 percent will go to the member's account and 1 percent will go to the KRS insurance fund.

MONTGOMERY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 7. Employee Retirement System (Continued)

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own accounts. Nonhazardous covered employees contribute 5 percent of their annual creditable compensation. Nonhazardous members also contribute 1 percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the KRS Board of Directors based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4 percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008, must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

The county's contribution rate for nonhazardous employees was 24.06 percent.

Hazardous

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 9 percent of their salary to be allocated as follows: 8 percent will go to the member's account and 1 percent will go to the KRS insurance fund.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan.

Members in the plan contribute a set percentage of their salary each month to their own accounts. Hazardous members contribute 8 percent of their annual creditable compensation and also contribute 1 percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board of Directors based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A hazardous member's account is credited with a 7.5 percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008, aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

The county's contribution rate for hazardous employees was 39.58 percent.

MONTGOMERY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 7. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% Paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Hazardous employees whose participation began on or after July 1, 2003, earn 15 dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, the employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Benefits are covered under KRS 161.714 with exception of COLA and retiree health benefits after July 2003.

B. Health Insurance Coverage - Tier 2 and Tier 3 - Nonhazardous

Once members reach a minimum vesting period of 15 years, they earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually by 1.5 percent. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

The monthly insurance benefit has been increased annually as a 1.5 percent cost of living adjustment (COLA) since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

Tier 2 member benefits are covered by KRS 161.714 with exception of COLA and retiree health benefits after July 2003. Tier 3 members are not covered by the same provisions.

MONTGOMERY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 7. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

C. Health Insurance Coverage - Tier 2 and Tier 3 - Hazardous

Once members reach a minimum vesting period of 15 years, they earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually by 1.5 percent. Upon the death of a hazardous employee, the employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

The monthly insurance benefit has been increased annually as a 1.5 percent COLA since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

D. Cost of Living Adjustments - Tier 1

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of KRS benefits. During the 2008 Special Session, the General Assembly determined that each July beginning in 2009, retirees who have been receiving a retirement allowance for at least 12 months will receive an automatic COLA of 1.5 percent. The COLA is not a guaranteed benefit. If a retiree has been receiving a benefit for less than 12 months, and a COLA is provided, it will be prorated based on the number of months the recipient has been receiving a benefit.

E. Cost of Living Adjustments - Tier 2 and Tier 3

No COLA is given unless authorized by the legislature with specific criteria. To this point, no COLA has been authorized by the legislature for Tier 2 or Tier 3 members.

F. Death Benefit

If a retired member is receiving a monthly benefit based on at least 48 months of service credit, KPPA will pay a \$5,000 death benefit payment to the beneficiary designated by the member specifically for this benefit. Members with multiple accounts are entitled to only one death benefit.

KRS Annual Financial Report and Proportionate Share Audit Report

KRS issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Public Pensions Authority, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

KPPA also issues proportionate share audit reports for both total pension liability and other post-employment benefits for CERS determined by actuarial valuation as well as each participating county's proportionate share. Both the Schedules of Employer Allocations and Pension Amounts by Employer and the Schedules of Employer Allocations and OPEB Amounts by Employer reports and the related actuarial tables are available online at <https://kyret.ky.gov>. The complete actuarial valuation report, including all actuarial assumptions and methods, is also available on the website or can be obtained as described in the paragraph above.

MONTGOMERY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 8. Deferred Compensation

The Montgomery County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees, and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority at 501 High Street, 2nd Floor, Frankfort, KY 40601, or by telephone at (502) 573-7925.

Note 9. Medical Expense Flexible Spending Account

In December 2014, the fiscal court began offering employees a modified version of a medical expense flexible spending account. It is considered modified because the plan does not allow employees to contribute to the medical expense account. At the beginning of each quarter, the fiscal court contributes \$525 to the plan for each participating employee. As of June 30, 2021, the balance of the medical expense flexible spending account was \$31,499.

Note 10. Insurance

For the fiscal year ended June 30, 2021, the Montgomery County Fiscal Court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 11. Conduit Debt

From time to time, the county has issued debt instruments to provide financial assistance to county entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest, in accordance with KRS 103.210. This debt may take the form of certain types of limited-obligation revenue bonds, certificates of participation, or similar debt instruments. Although conduit debt obligations bear the Montgomery County Fiscal Court's name as issuer, the fiscal court has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf it is issued. Neither the fiscal court nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statement. As of June 30, 2021, conduit debt has been issued but the amount currently outstanding is not reasonably determinable.

Note 12. Payroll Revolving Account

The reconciled balance of the payroll revolving account of \$22,833, as of June 30, 2021, was added to the general fund cash balance for financial reporting purposes.

MONTGOMERY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 13. Tax Abatement

The occupational tax was abated under the authority of Kentucky Rural Economic Development Authority (KREDA). Fireform Containers, Inc. and Cooper Tire & Rubber Company are eligible to receive this tax abatement due to creation of jobs. The taxes are abated by eliminating occupational tax due to the county. For the fiscal year ended June 30, 2021, Montgomery County Fiscal Court abated occupational taxes totaling \$112,559.

Note 14. Rental Agreement

During fiscal year ending 2021, the fiscal court entered into a rental agreement, for the space known as the “civic center” with the health department for a one-year term which began on July 1, 2020. Under this agreement the health department agrees to pay the fiscal court \$8,639 per month.

Note 15. Prior Period Adjustments

The general fund balance was increased \$201 to account for a prior year voided check. The beginning balance of the jail fund was decreased \$11 due to an omission in the prior year. The beginning balance of the health and civic center fund was increased \$1 due to rounding.

MONTGOMERY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2021

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MONTGOMERY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2021

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 9,800,150	\$ 9,800,150	\$ 11,085,540	\$ 1,285,390
Excess Fees	23,300	23,300	306,287	282,987
Licenses and Permits	97,050	97,050	143,080	46,030
Intergovernmental	547,500	561,935	230,057	(331,878)
Charges for Services	15,500	15,500	6,430	(9,070)
Miscellaneous	156,500	156,500	137,894	(18,606)
Interest	50,000	50,000	9,802	(40,198)
Total Receipts	10,690,000	10,704,435	11,919,090	1,214,655
DISBURSEMENTS				
General Government	2,695,967	2,912,415	2,095,654	816,761
Protection to Persons and Property	326,031	351,733	333,002	18,731
General Health and Sanitation	346,945	361,361	246,549	114,812
Social Services	75,350	75,350	36,820	38,530
Recreation and Culture	9,120	12,820	12,640	180
Airports	25,000	25,000	25,000	
Administration	4,596,711	4,648,751	4,098,814	549,937
Total Disbursements	8,075,124	8,387,430	6,848,479	1,538,951
Excess (Deficiency) of Receipts Over Adjustments to Cash (Uses)	2,614,876	2,317,005	5,070,611	2,753,606
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds			29,747	29,747
Transfers From Other Funds			1,245,611	1,245,611
Transfers To Other Funds	(2,614,876)	(2,614,876)	(3,275,212)	(660,336)
Total Other Adjustments to Cash (Uses)	(2,614,876)	(2,614,876)	(1,999,854)	615,022
Net Change in Fund Balance			3,070,757	3,070,757
Fund Balance - Beginning (Restated)			4,693,110	4,693,110
Fund Balance - Ending	\$ 0	\$ 0	\$ 7,763,867	\$ 7,763,867

MONTGOMERY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2021
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,132,437	\$ 1,132,437	\$ 1,005,918	\$ (126,519)
Miscellaneous	3,000	3,000	1,906	(1,094)
Total Receipts	<u>1,135,437</u>	<u>1,135,437</u>	<u>1,007,824</u>	<u>(127,613)</u>
DISBURSEMENTS				
Transportation Facilities and Services	34,875	39,875	8,514	31,361
Roads	1,730,580	2,095,580	1,529,631	565,949
Administration	<u>377,557</u>	<u>377,557</u>	<u>302,245</u>	<u>75,312</u>
Total Disbursements	<u>2,143,012</u>	<u>2,513,012</u>	<u>1,840,390</u>	<u>672,622</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,007,575)</u>	<u>(1,377,575)</u>	<u>(832,566)</u>	<u>545,009</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>907,575</u>	<u>907,575</u>	<u>820,000</u>	<u>(87,575)</u>
Total Other Adjustments to Cash (Uses)	<u>907,575</u>	<u>907,575</u>	<u>820,000</u>	<u>(87,575)</u>
Net Change in Fund Balance			(12,566)	(12,566)
Fund Balance - Beginning			<u>450,257</u>	<u>450,257</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 437,691</u>	<u>\$ 437,691</u>

MONTGOMERY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2021
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 1,299,200	\$ 1,353,605	\$ 1,121,146	\$ (232,459)
Charges for Services	94,500	94,500	67,892	(26,608)
Miscellaneous	204,000	210,400	160,814	(49,586)
Interest	75	100	103	3
Total Receipts	<u>1,597,775</u>	<u>1,658,605</u>	<u>1,349,955</u>	<u>(308,650)</u>
DISBURSEMENTS				
Protection to Persons and Property	2,386,863	2,437,365	1,940,414	496,951
Debt Service	112,500	802,712	802,712	
Administration	750,713	805,543	607,664	197,879
Total Disbursements	<u>3,250,076</u>	<u>4,045,620</u>	<u>3,350,790</u>	<u>694,830</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,652,301)</u>	<u>(2,387,015)</u>	<u>(2,000,835)</u>	<u>386,180</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,652,301	1,652,301	2,420,212	767,911
Transfers To Other Funds			<u>(203,285)</u>	<u>(203,285)</u>
Total Other Adjustments to Cash (Uses)	<u>1,652,301</u>	<u>1,652,301</u>	<u>2,216,927</u>	<u>564,626</u>
Net Change in Fund Balance			216,092	216,092
Fund Balance - Beginning (Restated)			<u>247,787</u>	<u>247,787</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 463,879</u>	<u>\$ 463,879</u>

MONTGOMERY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2021
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 25,000	\$ 47,245	\$ 47,245	\$
Total Receipts	25,000	47,245	47,245	
DISBURSEMENTS				
Roads	25,000	47,245	25,000	22,245
Total Disbursements	25,000	47,245	25,000	22,245
Net Change in Fund Balance			22,245	22,245
Fund Balance - Beginning			13,288	13,288
Fund Balance - Ending	\$ 0	\$ 0	\$ 35,533	\$ 35,533

MONTGOMERY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2021
(Continued)

JUVENILE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
DISBURSEMENTS				
Protection to Persons and Property	\$ 55,000	\$ 55,000	\$ 28,800	\$ 26,200
Total Disbursements	55,000	55,000	28,800	26,200
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(55,000)	(55,000)	(28,800)	26,200
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	55,000	55,000	35,000	(20,000)
Transfers To Other Funds			(7,747)	(7,747)
Total Other Adjustments to Cash (Uses)	55,000	55,000	27,253	(27,747)
Net Change in Fund Balance			(1,547)	(1,547)
Fund Balance - Beginning			7,747	7,747
Fund Balance - Ending	\$ 0	\$ 0	\$ 6,200	\$ 6,200

MONTGOMERY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2021
(Continued)

HEALTH AND CIVIC CENTER FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 121,679	\$ 121,679	\$ 103,662	\$ (18,017)
Charges for Services	16,495	16,495	1,410	(15,085)
Miscellaneous	204,700	204,700	203,646	(1,054)
Total Receipts	342,874	342,874	308,718	(34,156)
DISBURSEMENTS				
General Government				
Debt Service	112,300	112,300	112,295	5
Administration	55,574	55,574	28,073	27,501
Total Disbursements	342,874	342,874	249,877	92,997
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			58,841	58,841
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(24,520)	(24,520)
Total Other Adjustments to Cash (Uses)			(24,520)	(24,520)
Net Change in Fund Balance			34,321	34,321
Fund Balance - Beginning (Restated)			124,520	124,520
Fund Balance - Ending	\$ 0	\$ 0	\$ 158,841	\$ 158,841

MONTGOMERY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2021
(Continued)

CARES FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)
	Original	Final	
			Variance with Final Budget Positive (Negative)
RECEIPTS			
Intergovernmental	\$	\$ 1,385,699	\$ 1,388,674
Total Receipts		1,385,699	1,388,674
DISBURSEMENTS			
General Government		322,764	308,196
Protection to Persons and Property		24,504	18,174
General Health and Sanitation		30,347	30,347
Total Disbursements		377,615	356,717
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		1,008,084	1,031,957
Other Adjustments to Cash (Uses)			
Transfers To Other Funds			(1,010,059)
Total Other Adjustments to Cash (Uses)			(1,010,059)
Net Change in Fund Balance		1,008,084	21,898
Fund Balance - Ending	\$ 0	\$ 0	\$ 21,898

MONTGOMERY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2021
(Continued)

AMERICAN RESCUE PLAN ACT FUND			
	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original	Final	
RECEIPTS			
Intergovernmental	\$	\$	\$ 2,734,584
Interest			543
Total Receipts			2,735,127
Net Change in Fund Balance			2,735,127
Fund Balance - Beginning			
Fund Balance - Ending	\$ 0	\$ 0	\$ 2,735,127

MONTGOMERY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2021
(Continued)

FINNERAN FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 6,000	\$ 6,000	\$ 6,000	\$
Interest	800	800	805	5
Total Receipts	6,800	6,800	6,805	5
DISBURSEMENTS				
Capital Projects	6,800	6,800	6,539	261
Administration	75,000	75,000		75,000
Total Disbursements	81,800	81,800	6,539	75,261
Net Change in Fund Balance	(75,000)	(75,000)	266	75,266
Fund Balance - Beginning	75,000	75,000	104,926	29,926
Fund Balance - Ending	\$ 0	\$ 0	\$ 105,192	\$ 105,192

MONTGOMERY COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2021

Note 1. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board and according to the laws of Kentucky as required by the state local finance officer.

The county judge/executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the state local finance officer. Disbursements may not exceed budgeted appropriations at the activity level.

Note 2. Reconciliation of the General Fund

Other Adjustments To Cash - Budgetary Basis	\$(1,999,854)
To adjust for payroll revolving account	<u>22,833</u>
Total Other Adjustments to Cash - Regulatory Basis	<u><u>\$(1,977,021)</u></u>
Beginning Fund Balance - Budgetary Basis	\$ 4,693,110
To adjust for payroll revolving account	<u>14,985</u>
Total Beginning Fund Balance - Regulatory Basis	<u><u>\$ 4,708,095</u></u>
Ending Fund Balance - Budgetary Basis	\$ 7,763,867
To adjust for payroll revolving account	<u>37,818</u>
Total Ending Fund Balance - Regulatory Basis	<u><u>\$ 7,801,685</u></u>

MONTGOMERY COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2021

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MONTGOMERY COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity's Identifying Number	Provided to Subrecipient	Total Federal Expenditures
<u>U. S. Department of Treasury</u>				
<i>Passed-Through Kentucky Department for Local Government</i>				
COVID-19 Coronavirus Relief Fund	21.019	C035	\$	\$ 519,776
COVID-19 Coronavirus Relief Fund	21.019	C2-158	_____	411,700
Total U.S. Department of Treasury			_____	931,476
<u>U. S. Department of Homeland Security</u>				
<i>Passed-Through Kentucky Department of Military Affairs</i>				
Emergency Management Performance Grants	97.042	EMPG 2020	\$	\$ 9,541
Total U.S. Department of Homeland Security			_____	9,541
Total Expenditures of Federal Awards			\$ 0	\$ 941,017

The accompanying notes are an integral part of this schedule.

MONTGOMERY COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2021

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Montgomery County, Kentucky under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Montgomery County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Montgomery County, Kentucky.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rate

Montgomery County has not adopted an indirect cost rate and has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**MONTGOMERY COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis**

For The Year Ended June 30, 2021

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MONTGOMERY COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2021

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 633,833	\$	\$	\$ 633,833
Land Improvements	32,575			32,575
Building/Building Improvements	10,481,661	27,128		10,508,789
Vehicles	1,962,006	459,367		2,421,373
Equipment	1,297,059	8,743	110,000	1,195,802
Infrastructure	11,583,957	598,554		12,182,511
 Total Capital Assets	 <u>\$ 25,991,091</u>	 <u>\$ 1,093,792</u>	 <u>\$ 110,000</u>	 <u>\$ 26,974,883</u>

MONTGOMERY COUNTY
NOTES TO OTHER INFORMATION - REGULATORY BASIS
SCHEDULE OF CAPITAL ASSETS

June 30, 2021

Note 1. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported as other information. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 5,000	10-60
Building	\$ 5,000	10-75
Building Improvements	\$ 5,000	10-60
Vehicles	\$ 5,000	5
Equipment	\$ 5,000	3-25
Infrastructure	\$ 5,000	10-50

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Wallace Johnson, Montgomery County Judge/Executive
Members of the Montgomery County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Montgomery County Fiscal Court for the fiscal year ended June 30, 2021, and the related notes to the financial statement which collectively comprise the Montgomery County Fiscal Court's financial statement and have issued our report thereon dated February 22, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Montgomery County Fiscal Court's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Montgomery County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Montgomery County Fiscal Court's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control that we consider to be material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2021-001 to be a material weakness.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards*
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Montgomery County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2021-001.

Views of Responsible Official and Planned Corrective Action

Montgomery County's views and planned corrective action for the finding identified in our audit are included in the accompanying Schedule of Findings and Questioned Costs. The county's response was not subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike H", followed by a horizontal line.

Mike Harmon
Auditor of Public Accounts

February 22, 2022

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Wallace Johnson, Montgomery County Judge/Executive
Members of the Montgomery County Fiscal Court

Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With The Uniform Guidance

Independent Auditor's Report

Report on Compliance for Each Major Federal Program

We have audited the Montgomery County Fiscal Court's compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Montgomery County Fiscal Court's major federal programs for the year ended June 30, 2021. The Montgomery County Fiscal Court's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Montgomery County Fiscal Court's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Montgomery County Fiscal Court's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Montgomery County Fiscal Court's compliance.



Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With The Uniform Guidance
(Continued)

Opinion on Each Major Federal Program

In our opinion, the Montgomery County Fiscal Court complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the Montgomery County Fiscal Court is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Montgomery County Fiscal Court's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Montgomery County Fiscal Court's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal flourish extending to the right.

Mike Harmon
Auditor of Public Accounts

February 22, 2022

**MONTGOMERY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For The Year Ended June 30, 2021

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MONTGOMERY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2021

Section I: Summary of Auditor's Results

Financial Statement

Type of report the auditor issued: Adverse on GAAP and Unmodified on Regulatory Basis

Internal control over financial reporting:

Are any material weaknesses identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are any significant deficiencies identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Are any noncompliances material to financial statements noted?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Federal Awards

Internal control over major programs:

Are any material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are any significant deficiencies identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Type of auditor's report issued on compliance for major federal programs : Unmodified		
Are any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
21.019	COVID-19 Coronavirus Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

MONTGOMERY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2021
(Continued)

Section II: Financial Statement Finding

2021-001 The Montgomery County Fiscal Court Did Not Properly Amend The Fiscal Year 2021 Budget To Include The Federal American Rescue Plan Act (ARPA) Funds

The Montgomery County Fiscal Court received federal American Rescue Plan Act (ARPA) fund receipts in the amount of \$2,734,584 during the fiscal year 2021. There was no amendment completed and approved by the fiscal court for the ARPA funds to be added to the final budget.

According to the county, they could not amend the budget because of the timing of the receipt of funds and fiscal court meetings.

As a result, the Montgomery County Fiscal Court did not comply with the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* and instructions sent out by DLG on how ARPA fund receipts should be handled.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Per the *County Budget Preparation and State Local Finance Officer Policy Manual*, "it is necessary to amend the budget to reflect the receipt and expenditure of funds received through a state or federal grant if the grant was not a part of the original budget document. An amendment of this nature should be made immediately upon receipt of those funds."

On May 13, 2021, the Department for Local Government issued a memorandum of information to county officials stating, "[p]er 109 KAR 15:020, the 'County Budget Preparation and State Local Finance Officer Policy Manual' (SLFO Policy Manual), upon receipt of your ARPA allocation, counties should amend their current fiscal year budget."

We recommend the fiscal court follow DLG guidance in the future for grant receipts and complete budget amendments.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Based on my understanding of the budget amendment process and the timeframe in which these funds were received from the US Treasury, I disagree with the finding. The funds were received, recorded, and reflected as new revenue on Montgomery County's June 2021 Financial report and the FY 2021 – 4th Quarter report. The budget amendment process was started with the first reading on July 20, 2021, followed by DLG approval on July 28, 2021, then the required publication was advertised in the local paper, followed by the second reading with final approval Aug 17, 2021.

I do not feel that I had time to begin the budget amendment process in June 2021 since the process requires a first reading, DLG approval, publication in newspaper and second reading. And it was the last month of the Fiscal Year, and the process would have to be done again in July to bring the funds into the new FY budget.

MONTGOMERY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2021
(Continued)

Section II: Financial Statement Finding (Continued)

2021-001 The Montgomery County Fiscal Court Did Not Properly Amend The Fiscal Year 2021 Budget To Include The Federal American Rescue Plan Act (ARPA) Funds (Continued)

Views of Responsible Official and Planned Corrective Action: (Continued)

County Judge/Executive's Response: (Continued) During this time, the guidance seemed to change daily from US Treasury, DLG, KACO, NACO and the interpretation of other County officials. I felt that I used my best judgement on what I knew based on my knowledge of my financial reporting responsibilities. Logically thinking it was not feasible nor necessary to do a budget amendment which would have required several special called emergency fiscal court meetings of which it was not an emergency and due to the time frame, it would not have been possible to comply with the approval and publication requirements for budget amendments.

I request that this finding be removed from our final audit publication.

Auditor's Reply: The County Budget Preparation and State Local Finance Officer Policy Manual and a memo from DLG both state upon receipt of these funds, the current fiscal year budget shall be amended.

Section III: Federal Award Findings And Questioned Costs

None.

Section IV: Summary Schedule of Prior Audit Findings

None.

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**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

MONTGOMERY COUNTY FISCAL COURT

For The Year Ended June 30, 2021

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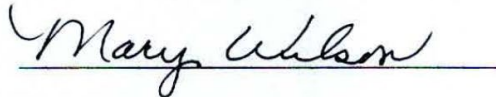
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
MONTGOMERY COUNTY FISCAL COURT

For The Year Ended June 30, 2021

The Montgomery County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

A handwritten signature in black ink, appearing to read "Walter R. Brown", is written over a horizontal line.

County Judge/Executive

A handwritten signature in black ink, appearing to read "Mary Wilson", is written over a horizontal line.

County Treasurer