

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

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



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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 David Johnston, Ohio County Judge/Executive
Members of the Ohio 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 Ohio County Fiscal Court, for the year ended June 30, 2021, and the related notes to the financial statement, which collectively comprise the Ohio 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 Ohio 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 Ohio 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 Ohio 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 Ohio 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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Members of the Ohio County Fiscal Court

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 May 24, 2022, on our consideration of the Ohio 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 Ohio 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 findings:

- 2021-001 The Ohio County Detention Center Lacks Adequate Segregation Of Duties Over Jail Commissary Receipts And Disbursements
- 2021-002 The Schedule Of Expenditures Of Federal Awards Was Overstated

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

May 24, 2022

OHIO COUNTY OFFICIALS
For The Year Ended June 30, 2021

Fiscal Court Members:

David Johnston	County Judge/Executive
Sam Small	Magistrate
Joe Barnes	Magistrate
Larry Morphew	Magistrate
Jason Bullock	Magistrate
Larry Keown	Magistrate

Other Elected Officials:

Justin Keown	County Attorney
Gerry Wright	Jailer
Bess Tichenor Ralph	County Clerk
Shannon Kirtley	Circuit Court Clerk
Tracy Beatty	Sheriff
Jason Chinn	Property Valuation Administrator
Elvis Doolin	Coroner

Appointed Personnel:

Anne Melton	County Treasurer
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OHIO COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2021

OHIO 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	Local Government Economic Assistance Fund
RECEIPTS			
Taxes	\$ 4,210,799	\$	\$
In Lieu Tax Payments			
Licenses and Permits	85,851		
Intergovernmental	3,363,959	2,078,041	860,111
Charges for Services	280,726		
Miscellaneous	423,768	484,262	2,903
Interest	5,048	1,897	732
Total Receipts	<u>8,370,151</u>	<u>2,564,200</u>	<u>863,746</u>
DISBURSEMENTS			
General Government	4,375,260		134,619
Protection to Persons and Property	1,348,701		61,008
General Health and Sanitation	201,041		14,080
Social Services	253,052		3,890
Recreation and Culture	397,139		62,712
Roads		2,097,441	45,323
Airports			13,984
Debt Service	126,612	65,396	
Capital Projects	33,348		624,251
Administration	397,301	400,957	
Total Disbursements	<u>7,132,454</u>	<u>2,563,794</u>	<u>959,867</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,237,697</u>	<u>406</u>	<u>(96,121)</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds	350,000		300,000
Transfers To Other Funds	<u>(350,000)</u>		<u>(300,000)</u>
Total Other Adjustments to Cash (Uses)			
Net Change in Fund Balance	1,237,697	406	(96,121)
Fund Balance - Beginning (Restated)	<u>1,027,882</u>	<u>351,119</u>	<u>308,351</u>
Fund Balance - Ending	<u>\$ 2,265,579</u>	<u>\$ 351,525</u>	<u>\$ 212,230</u>
Composition of Fund Balance			
Bank Balance	\$ 2,324,381	\$ 352,551	\$ 224,395
Less: Outstanding Checks	<u>(58,802)</u>	<u>(1,026)</u>	<u>(12,165)</u>
Fund Balance - Ending	<u>\$ 2,265,579</u>	<u>\$ 351,525</u>	<u>\$ 212,230</u>

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

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

Budgeted Funds					
Forest Fire Protection Fund	Landfill Fund	Ohio County Economic Development Alliance Fund	Emergency Services Fund	ARPA Fund	Waterline Reserve Fund
\$ 6,130	\$ 10,408	\$	\$ 628,968	\$	\$
	69,641		199,673	2,330,277	
	109,161				30,789
		74,595	693		
12	430	548	299	670	122
6,142	189,640	75,143	829,633	2,330,947	30,911
		130,000			
8,762			849,037		25,727
	139,208				
8,762	139,208	130,000	849,037		25,727
(2,620)	50,432	(54,857)	(19,404)	2,330,947	5,184
			50,000		
			(50,000)		
(2,620)	50,432	(54,857)	(19,404)	2,330,947	5,184
3,675	160,191	410,031	200,116		46,656
\$ 1,055	\$ 210,623	\$ 355,174	\$ 180,712	\$ 2,330,947	\$ 51,840
\$ 1,055	\$ 210,623	\$ 355,174	\$ 180,728	\$ 2,330,947	\$ 51,840
			(16)		
\$ 1,055	\$ 210,623	\$ 355,174	\$ 180,712	\$ 2,330,947	\$ 51,840

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

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

	<u>Unbudgeted Fund</u>	
	<u>Jail Commissary Fund</u>	<u>Total Funds</u>
RECEIPTS		
Taxes	\$	\$ 4,845,897
In Lieu Tax Payments		10,408
Licenses and Permits		85,851
Intergovernmental		8,901,702
Charges for Services		420,676
Miscellaneous	16,372	1,002,593
Interest		9,758
Total Receipts	<u>16,372</u>	<u>15,276,885</u>
DISBURSEMENTS		
General Government		4,639,879
Protection to Persons and Property		2,267,508
General Health and Sanitation		240,848
Social Services		256,942
Recreation and Culture	5,906	465,757
Roads		2,142,764
Airports		13,984
Debt Service		331,216
Capital Projects		657,599
Administration		798,258
Total Disbursements	<u>5,906</u>	<u>11,814,755</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>10,466</u>	<u>3,462,130</u>
Other Adjustments to Cash (Uses)		
Transfers From Other Funds		700,000
Transfers To Other Funds		(700,000)
Total Other Adjustments to Cash (Uses)		
Net Change in Fund Balance	10,466	3,462,130
Fund Balance - Beginning (Restated)	<u>14,220</u>	<u>2,522,241</u>
Fund Balance - Ending	<u>\$ 24,686</u>	<u>\$ 5,984,371</u>
Composition of Fund Balance		
Bank Balance	\$ 24,686	\$ 6,056,380
Less: Outstanding Checks		(72,009)
Fund Balance - Ending	<u>\$ 24,686</u>	<u>\$ 5,984,371</u>

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

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TO THE FINANCIAL STATEMENT**

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**OHIO COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2021

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Ohio County includes all budgeted and unbudgeted funds under the control of the Ohio 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.

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.

OHIO 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)

Forest Fire Protection Fund - The primary purpose of this fund is to account for disbursements related to fire protection. The primary source of receipts for this fund are fire acre taxes on the county property tax bills.

Landfill Fund - The primary purpose of this fund is to account for the receipts and disbursements of landfill related projects. The primary sources of receipts for this fund are landfill revenues.

Ohio County Economic Development Alliance Fund - The primary purpose of this fund is to account for funds used to promote growth and development of Ohio County's economic base, assist in the retention and expansion of existing business, and vigorously seek out new business for Ohio County. The primary sources of receipts for this fund are proceeds from short-term loans to local businesses.

Emergency Services Fund - The primary purpose of this fund is to account for payments to support the operation of emergency management. The primary source of receipts for this fund are a portion of the collected occupational taxes.

ARPA Fund - The primary purpose of this fund is to account for the receipts and disbursements of ARPA funds provided by the federal government. The primary sources of receipts for this fund are federal monies.

Waterline Reserve Fund - The primary purpose of this fund is to account for waterline projects. The primary sources of receipts for this fund are a portion of landfill revenues.

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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

E. Ohio County Elected Officials

Kentucky law provides for election of the officials listed below from the geographic area constituting Ohio 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 Ohio 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.

OHIO 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	LGEA Fund	Emergency Services Fund	Total Transfers In
General Fund	\$	\$ 300,000	\$ 50,000	\$ 350,000
LGEA Fund	300,000			300,000
Emergency Services Fund	50,000			50,000
Total Transfers Out	<u>\$ 350,000</u>	<u>\$ 300,000</u>	<u>\$ 50,000</u>	<u>\$ 700,000</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. Notes Receivables

The following are the notes receivables as of June 30, 2021, that the county has outstanding under the Ohio County Economic Development Alliance:

A. Kelly Gilstrap (Subway)

The county loaned \$20,000 to Kelly Gilstrap (Subway) on March 9, 2015, for the purpose of financing certain real estate. Terms of the agreement stipulate a seven-year repayment schedule at 2.44 percent interest. As of June 30, 2021, the loan has a 3.56 percent interest rate. As of June 30, 2021, principal balance due was \$3,226.

B. Stewart and Mills

The county loaned \$75,000 to Stewart and Mills on June 11, 2015, for the purpose of financing certain real estate. Terms of the agreement stipulate a 15-year repayment schedule at 2.44 percent interest. As of June 30, 2021, the loan has a 3.56% interest rate. The receivable was paid off early. As of June 30, 2021, principal balance due was \$0.

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

Note 4. Notes Receivables (Continued)

C. Kelsey Johnson (Bluegrass Family Dentistry)

The county loaned \$50,000 to Kelsey Johnson for Bluegrass Family Dentistry on April 27, 2017, for the purpose of providing working capital at the borrower's business. Terms of the agreement stipulate a five-year repayment schedule at initial interest rate of 2.81. As of June 30, 2021, the loan has a 3.56 percent interest rate. As of June 30, 2021, principal balance due was \$9,460.

D. Tiffany Webster (Persimmons Boutique)

The county loaned \$15,000 to Tiffany Webster for Persimmons Boutique on April 26, 2017, for the purpose of providing working capital at the borrower's business. Terms of the agreement stipulate a five-year repayment schedule at initial interest rate of 2.81. As of June 30, 2021, the loan has a 3.56 percent interest rate. As of June 30, 2021, principal balance due was \$0.

E. Renfrow Distribution

The county loaned \$40,000 to Renfrow Distribution on February 1, 2019, for the purpose of paving and renovating property. Terms of the agreement stipulate a 15-year repayment schedule at initial interest rate of 4.13 percent interest. As of June 30, 2021, the loan has a 3.56 percent interest rate. As of June 30, 2021, principal balance due was \$34,996.

F. Midkiff Custom Clearing

The county loaned \$30,000 to Midkiff Custom Clearing on March 8, 2021, for the purpose of providing working capital at the borrower's business. Terms of the agreement stipulate a seven-year repayment schedule at 3.56 percent interest. As of June 30, 2021, principal balance due was \$28,981.

G. Cinema 33

The county loaned \$100,000 to Cinema 33 on June 18, 2022, for the purpose of purchasing equipment and renovating property. Terms of the agreement stipulate a ten-year repayment schedule at 2.44 percent interest rate, payable starting September 20, 2021. As of June 30, 2021, principal balance due was \$100,000.

Note 5. Short-term Debt

Direct Borrowings

The fiscal court entered into a \$500,000 promissory note (line of credit) with First United Bank and Trust Company on March 21, 2020. This debt is unsecured. The funds are to be used exclusively for blacktop projects. Terms of the note stipulate monthly interest payments at an initial interest rate of 3.25% with one payment of all outstanding principal plus all accrued unpaid interest on March 21, 2021. These funds were not drawn on during the 2021 fiscal year. This line of credit was closed on May 24, 2021.

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

Note 6. Long-term Debt

A. Direct Borrowings and Direct Placements

1. Courthouse Renovations

On November 18, 2005, the fiscal court entered into an installment loan agreement with the First United Bank in the amount of \$1,600,000 which is secured with collateral of real estate located at 434 Liberty St., Hartford, Kentucky. The purpose of the loan was to finance the acquisition of property, to finance renovations and improvements to the courthouse, and to retire the Ohio County Buildings Commission First Mortgage Revenue Bonds, Series 1979. The interest rate is 4.92 percent for a period of 20 years with principal and interest payments due monthly. The principal balance at June 30, 2021, was \$500,911. Future debt service requirements are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest & Fees</u>
2022	\$ 103,975	\$ 22,636
2023	109,282	17,333
2024	114,831	11,118
2025	120,721	6,764
2026	<u>52,102</u>	<u>420</u>
Totals	<u>\$ 500,911</u>	<u>\$ 58,271</u>

2. Green River Area Development District - Dump Truck, Loader, and Backhoe/Loader

On August 5, 2009, the fiscal court entered into a financing agreement with the Green River Area Development District in the amount of \$250,000 secured with collateral of the dump truck, loader, and backhoe/loader for the purpose of purchasing a dump truck, loader, and backhoe/loader. The interest rate is 3.56 percent. Principal and interest payments are due on the first day of each month until the termination date of April 1, 2022. The principal balance on June 30, 2021, was \$32,782. Future debt service requirements are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2022	\$ 32,782	\$ 537
Totals	<u>\$ 32,782</u>	<u>\$ 537</u>

3. Tractor and Mower

On February 27, 2020, the fiscal court entered into an installment loan agreement with First United Bank in the amount of \$137,562 which is secured with collateral of a tractor and mower. The purpose of the loan was to purchase the tractor and mower. The interest rate is 3.4% percent with payments due on the 27th of each month. The loan terminates on March 27, 2026. The principal balance at June 30, 2021, was \$109,367.

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

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

3. Tractor and Mower (Continued)

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2022	\$ 22,000	\$ 3,378
2023	22,759	2,618
2024	23,545	1,832
2025	24,359	1,019
2026	<u>16,704</u>	<u>214</u>
Totals	<u>\$ 109,367</u>	<u>\$ 9,061</u>

B. Changes In Long-term Debt

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

	<u>Beginning Balance (Restated)</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Direct Borrowings and Direct Placements	<u>\$ 801,330</u>	<u>\$</u>	<u>\$ 158,270</u>	<u>\$ 643,060</u>	<u>\$ 158,757</u>
Total Long-term Debt	<u>\$ 801,330</u>	<u>\$ 0</u>	<u>\$ 158,270</u>	<u>\$ 643,060</u>	<u>\$ 158,757</u>

The beginning balance was restated for principal and interest allocation

C. Aggregate Debt Schedule

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

<u>Fiscal Year Ended June 30</u>	<u>Direct Borrowings and Direct Placements</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 158,757	\$ 26,551
2023	132,041	19,951
2024	138,376	12,950
2025	145,080	7,783
2026	<u>68,806</u>	<u>634</u>
Totals	<u>\$ 643,060</u>	<u>\$ 67,869</u>

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

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. 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 Public Pensions Authority (KPPA) was created by KRS 61.505 to provide staffing and daily administrative needs for CERS and the Kentucky Retirement Systems. The nine (9) member board of trustees is responsible for the governance of the CERS pension and insurance plans.

The county's contribution for FY 2019 was \$654,111, FY 2020 was \$715,125, and FY 2021 was \$729,617.

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 Kentucky Retirement Systems 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. 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 Kentucky Retirement Systems 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.

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:

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

Note 7. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (Continued)

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.

Benefits are covered under KRS 78.5536.

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 78.5536. Tier 3 members are not covered by the same provisions.

C. Cost of Living Adjustments - Tier 1

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of Kentucky Retirement Systems 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.

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

Note 7. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

D. 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.

E. 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.

Kentucky Retirement Systems Annual Financial Report and Proportionate Share Audit Report

Kentucky Retirement Systems 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.

Note 8. Deferred Compensation

The Ohio 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.

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

Note 9. Health Reimbursement Account/Flexible Spending Account

The Ohio County Fiscal Court established a flexible spending account during fiscal year 2010 to provide employees an additional health benefit. The county has contracted with a third-party administrator to administer the plan. The plan provides a debit card to each eligible employee providing \$500-\$2,650 each year, depending on the plan chosen, to pay for qualified medical expenses. Employees may also contribute additional pre-tax funds through payroll deduction.

Note 10. Insurance

For the fiscal year ended June 30, 2021, the Ohio 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. Landfill

The Ohio County Fiscal Court holds the permit for the landfill, known as the Ohio County Balefill. The fiscal court owns the land and all capital improvements made to the land. A private company won the bid on the landfill franchise and operates and maintains the landfill. The liability for the closure and post-closure cost lies with the company for 30 years after the closure of the landfill.

Note 12. Conduit Debt

From time to time the county has issued bonds to provide financial assistance to various 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 Ohio 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.

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

Note 13. Prior Period Adjustments

The following adjustments were made to the beginning balances of the noted funds:

Prior Year General Fund Ending Fund Balance	\$ 1,037,780
Adjustments:	
Prior Year Disbursement Error Correction	(10,026)
Voided Checks	128
Beginning General Fund Balance Restated	<u>\$ 1,027,882</u>
Prior Year LGEA Fund Ending Fund Balance	\$ 308,276
Adjustments:	
Voided Checks	75
Beginning LGEA Fund Balance Restated	<u>\$ 308,351</u>

Note 14. Related Party Transaction

During the fiscal year ended June 30, 2021, the county paid \$5,940 to a construction company owned by the county treasurer's brother.

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OHIO COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2021

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OHIO 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	\$ 4,078,900	\$ 4,078,900	\$ 4,210,799	\$ 131,899
Licenses and Permits	105,600	105,600	85,851	(19,749)
Intergovernmental	2,258,433	2,696,663	3,363,959	667,296
Charges for Services	178,400	192,102	280,726	88,624
Miscellaneous	580,381	580,381	423,768	(156,613)
Interest	6,850	6,850	5,048	(1,802)
Total Receipts	<u>7,208,564</u>	<u>7,660,496</u>	<u>8,370,151</u>	<u>709,655</u>
DISBURSEMENTS				
General Government	4,336,980	4,882,926	4,375,260	507,666
Protection to Persons and Property	1,658,953	1,655,656	1,348,701	306,955
General Health and Sanitation	169,160	254,131	201,041	53,090
Social Services	223,149	373,380	253,052	120,328
Recreation and Culture	395,922	418,317	397,139	21,178
Debt Service	127,000	127,000	126,612	388
Capital Projects		100,000	33,348	66,652
Administration	847,400	1,078,629	397,301	681,328
Total Disbursements	<u>7,758,564</u>	<u>8,890,039</u>	<u>7,132,454</u>	<u>1,757,585</u>
Excess (Deficiency) of Receipts Over				
Disbursements Before Other				
Adjustments to Cash (Uses)	<u>(550,000)</u>	<u>(1,229,543)</u>	<u>1,237,697</u>	<u>2,467,240</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			350,000	350,000
Transfers To Other Funds			<u>(350,000)</u>	<u>(350,000)</u>
Total Other Adjustments to Cash (Uses)				
Net Change in Fund Balance	(550,000)	(1,229,543)	1,237,697	2,467,240
Fund Balance - Beginning (Restated)	<u>550,000</u>	<u>1,230,043</u>	<u>1,027,882</u>	<u>(202,161)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 500</u>	<u>\$ 2,265,579</u>	<u>\$ 2,265,079</u>

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

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 2,834,841	\$ 2,834,841	\$ 2,078,041	\$ (756,800)
Miscellaneous	45,000	158,868	484,262	325,394
Interest	2,000	2,000	1,897	(103)
Total Receipts	2,881,841	2,995,709	2,564,200	(431,509)
DISBURSEMENTS				
Roads	2,336,271	2,900,597	2,097,441	803,156
Debt Service	2,073,200	1,790,100	65,396	1,724,704
Capital Projects	120,000	120,000		120,000
Administration	452,370	586,293	400,957	185,336
Total Disbursements	4,981,841	5,396,990	2,563,794	2,833,196
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(2,100,000)	(2,401,281)	406	2,401,687
Other Adjustments to Cash (Uses)				
KACO Truck Lease Program		51,829		(51,829)
Borrowed Monies	2,000,000	2,000,000		(2,000,000)
Total Other Adjustments to Cash (Uses)	2,000,000	2,051,829		(2,051,829)
Net Change in Fund Balance	(100,000)	(349,452)	406	349,858
Fund Balance - Beginning	100,000	349,452	351,119	1,667
Fund Balance - Ending	\$ 0	\$ 0	\$ 351,525	\$ 351,525

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

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 1,210,000	\$ 1,210,000	\$ 860,111	\$ (349,889)
Miscellaneous			2,903	2,903
Interest	100	100	732	632
Total Receipts	1,210,100	1,210,100	863,746	(346,354)
DISBURSEMENTS				
General Government		248,992	134,619	114,373
Protection to Persons and Property	75,381	75,878	61,008	14,870
General Health and Sanitation	16,112	14,112	14,080	32
Social Services	4,698	4,698	3,890	808
Recreation and Culture	43,500	63,000	62,712	288
Roads	55,509	87,598	45,323	42,275
Airports	14,900	14,900	13,984	916
Capital Projects	1,000,000	1,006,383	624,251	382,132
Administration		3,315		3,315
Total Disbursements	1,210,100	1,518,876	959,867	559,009
Excess (Deficiency) of Receipts Over				
Disbursements Before Other				
Adjustments to Cash (Uses)		(308,776)	(96,121)	212,655
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			300,000	300,000
Transfers To Other Funds			(300,000)	(300,000)
Total Other Adjustments to Cash (Uses)				
Net Change in Fund Balance		(308,776)	(96,121)	212,655
Fund Balance - Beginning (Restated)		308,276	308,351	75
Fund Balance - Ending	\$ 0	\$ (500)	\$ 212,230	\$ 212,730

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

FOREST FIRE PROTECTION FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 6,300	\$ 6,300	\$ 6,130	\$ (170)
Interest	50	50	12	(38)
Total Receipts	6,350	6,350	6,142	(208)
DISBURSEMENTS				
Protection to Persons and Property	6,350	10,025	8,762	1,263
Total Disbursements	6,350	10,025	8,762	1,263
Net Change in Fund Balance		(3,675)	(2,620)	1,055
Fund Balance - Beginning		3,675	3,675	
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,055	\$ 1,055

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

LANDFILL FUND				
	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
In Lieu Tax Payments	\$ 50,000	\$ 50,000	\$ 10,408	\$ (39,592)
Intergovernmental			69,641	69,641
Charges for Services	140,500	140,500	109,161	(31,339)
Interest	500	500	430	(70)
Total Receipts	<u>191,000</u>	<u>191,000</u>	<u>189,640</u>	<u>(1,360)</u>
DISBURSEMENTS				
General Health and Sanitation	141,000	161,983		161,983
Debt Service		139,208	139,208	
Administration	50,000	50,000		50,000
Total Disbursements	<u>191,000</u>	<u>351,191</u>	<u>139,208</u>	<u>211,983</u>
Net Change in Fund Balance		(160,191)	50,432	210,623
Fund Balance - Beginning		<u>160,191</u>	<u>160,191</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 210,623</u>	<u>\$ 210,623</u>

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

OHIO COUNTY ECONOMIC DEVELOPMENT ALLIANCE FUND

	<u>Budgeted Amounts</u>		<u>Actual Amounts, (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Miscellaneous	\$ 49,219	\$ 49,219	\$ 74,595	\$ 25,376
Interest	300	300	548	248
Total Receipts	<u>49,519</u>	<u>49,519</u>	<u>75,143</u>	<u>25,624</u>
DISBURSEMENTS				
General Government	<u>49,519</u>	<u>459,550</u>	<u>130,000</u>	<u>329,550</u>
Total Disbursements	<u>49,519</u>	<u>459,550</u>	<u>130,000</u>	<u>329,550</u>
Net Change in Fund Balance		(410,031)	(54,857)	355,174
Fund Balance - Beginning		<u>410,031</u>	<u>410,031</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 355,174</u>	<u>\$ 355,174</u>

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

EMERGENCY SERVICES FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 672,750	\$ 672,750	\$ 628,968	\$ (43,782)
Intergovernmental	186,000	186,000	199,673	13,673
Miscellaneous			693	693
Interest			299	299
Total Receipts	<u>858,750</u>	<u>858,750</u>	<u>829,633</u>	<u>(29,117)</u>
DISBURSEMENTS				
Protection to Persons and Property	812,919	875,722	849,037	26,685
Administration	45,831	183,144		183,144
Total Disbursements	<u>858,750</u>	<u>1,058,866</u>	<u>849,037</u>	<u>209,829</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>(200,116)</u>	<u>(19,404)</u>	<u>180,712</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			50,000	50,000
Transfers To Other Funds			<u>(50,000)</u>	<u>(50,000)</u>
Total Other Adjustments to Cash (Uses)				
Net Change in Fund Balance		<u>(200,116)</u>	<u>(19,404)</u>	<u>180,712</u>
Fund Balance - Beginning		<u>200,116</u>	<u>200,116</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 180,712</u>	<u>\$ 180,712</u>

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

ARPA FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)
	Original	Final	
			Variance with Final Budget Positive (Negative)
RECEIPTS			
Intergovernmental	\$	\$ 2,330,277	\$ 2,330,277
Interest			670
Total Receipts		2,330,277	2,330,947
DISBURSEMENTS			
Administration		2,330,277	2,330,277
Total Disbursements		2,330,277	2,330,277
Net Change in Fund Balance			2,330,947
Fund Balance - Beginning			
Fund Balance - Ending	\$ 0	\$ 0	\$ 2,330,947

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

WATERLINE RESERVE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Charges for Services	\$ 39,500	\$ 39,500	\$ 30,789	\$ (8,711)
Interest	500	500	122	(378)
Total Receipts	40,000	40,000	30,911	(9,089)
DISBURSEMENTS				
General Health and Sanitation	40,000	86,656	25,727	60,929
Total Disbursements	40,000	86,656	25,727	60,929
Net Change in Fund Balance		(46,656)	5,184	51,840
Fund Balance - Beginning		46,656	46,656	
Fund Balance - Ending	\$ 0	\$ 0	\$ 51,840	\$ 51,840

**OHIO 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.

OHIO COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2021

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OHIO COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity's Identifying Number	Provided to Subrecipient	Total Federal Expenditures
<u>U. S. Department of Health and Human Services</u>				
<i>Passed-Through Kentucky Department Health and Family Services</i>				
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	09 11888-9	\$	\$ 34,497
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	09 11888-9		88,922
Total U.S. Department of Health and Human Services				123,419
<u>U. S. Department of Homeland Security</u>				
<i>Passed-Through Kentucky Emergency Management</i>				
Emergency Management Performance Grants	97.042	095 2100000605		29,140
Total U.S. Department of Homeland Security				29,140
<u>U. S. Department of Election Assistance Commission</u>				
<i>Passed-Through Kentucky Board of Elections</i>				
2018 HAVA Election Security Grants	90.404	157363644		18,861
Total U.S. Department of Election Assistance Commission				18,861
<u>U. S. Department of Treasury</u>				
<i>Passed-Through Kentucky Department for Local Government</i>				
COVID-19 Coronavirus Relief Fund	21.019	2100000175 & 2100001395		699,967
Total U.S. Department of Treasury				699,967
<u>U. S. Department of Rural Development</u>				
<i>Direct Program</i>				
Rural Business Development Grant	10.351			11,750
Total U.S. Department of Rural Development				11,750
Total Expenditures of Federal Awards			\$ 0	\$ 883,137

The accompanying notes are an integral part of this schedule.

OHIO 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 Ohio 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 Ohio County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Ohio 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

Ohio 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.

OHIO COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2021

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OHIO 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	\$ 1,327,976	\$	\$	\$ 1,327,976
Land Improvements	56,400			56,400
Buildings and Building Improvements	6,689,808			6,689,808
Equipment	2,798,923	100,876		2,899,799
Vehicles	2,700,528	190,917	179,954	2,711,491
Infrastructure	11,557,208	743,809		12,301,017
 Total Capital Assets	 <u>\$ 25,130,843</u>	 <u>\$ 1,035,602</u>	 <u>\$ 179,954</u>	 <u>\$ 25,986,491</u>

OHIO 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	\$ 20,000	10-60
Buildings	\$ 50,000	10-75
Building Improvements	\$ 25,000	10-75
Equipment	\$ 30,000	3-25
Vehicles	\$ 30,000	3-25
Infrastructure	\$ 50,000	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 David Johnston, Ohio County Judge/Executive
Members of the Ohio 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 Ohio County Fiscal Court for the fiscal year ended June 30, 2021, and the related notes to the financial statement which collectively comprise the Ohio County Fiscal Court's financial statement and have issued our report thereon dated May 24, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Ohio 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 Ohio County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Ohio County Fiscal Court's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified certain deficiencies in internal control, which are described in the accompanying Schedule of Findings and Questioned Costs, that we consider to be significant deficiencies as items 2021-001 and 2021-002.



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 Ohio 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

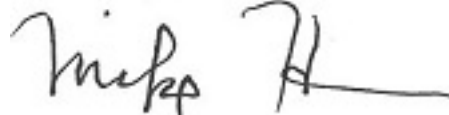
Views of Responsible Officials and Planned Corrective Action

Ohio County's views and planned corrective action for the findings identified in our audit are included in the accompanying or Schedule of Findings and Questioned Costs. The county's responses were not subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we express no opinion on them.

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", with a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts

May 24, 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 David Johnston, Ohio County Judge/Executive
Members of the Ohio 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 Ohio 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 Ohio County Fiscal Court's major federal programs for the year ended June 30, 2021. The Ohio 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 Ohio 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 Ohio 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 Ohio 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 Ohio 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 Ohio 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 Ohio 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 Ohio 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

May 24, 2022

OHIO COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2021

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OHIO 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 on whether the financial statements audited were prepared in accordance with GAAP: Adverse on GAAP and Unmodified on Regulatory Basis

Internal control over financial reporting:

Are any material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are any significant deficiencies identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None Reported
Are any noncompliances material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" 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>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
20.019	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

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

Section II: Financial Statement Findings

2021-001 The Ohio County Detention Center Lacks Adequate Segregation Of Duties Over Jail Commissary Receipts And Disbursements

This is a repeat finding and was included in the prior year audit report as finding 2020-001. The Ohio County Detention Center lacks adequate segregation of duties over jail commissary receipts and disbursements. The jailer prepares deposits, prepares checkout sheets for inmate fees collected, handles cash collected from inmates, and approves and signs commissary checks.

According to the jailer, this lack of segregation of duties is a result of a limited budget, which restricts the number of qualified employees the Ohio County Detention Center can hire for accounting functions.

Without proper internal controls, the jailer creates the opportunity for misappropriation of assets and inaccurate financial reporting to occur and go unnoticed.

Good internal controls dictate that duties over the various accounting functions such as preparation of deposits, checkout sheet preparation, collection of cash, and preparation of checks be segregated in order to lower the risk of misappropriation of assets and inaccurate financial reporting occurring and going unnoticed.

We recommend the Ohio County Detention Center implement segregation of duties over jail commissary receipts and disbursements of the jail commissary. If the duties cannot be segregated due to a limited number of staff or budget, strong oversight should be provided over the employee responsible for the duties. In addition, any compensating controls should be documented if performed.

Views of Responsible Official and Planned Corrective Action:

Jailer's Response: The official did not provide a response.

2021-002 The Schedule Of Expenditures Of Federal Awards Was Overstated

The Ohio County Fiscal Court's original schedule of expenditures of federal awards was overstated by \$301,869. The total overstatement consisted of the following errors:

- Two grants were included without an assistance listing number in the amount of \$54,783 for a Kentucky Emergency Management Grant and \$13,631 for a Center for Tech & Civic Life Grant. Both of these items included no federal expenditures.
- Assistance Listing Number 21.019 - \$233,455 was removed from the schedule of expenditures of federal awards for items expensed during the 2020 fiscal year. These expenditures were not reported on the prior year schedule of expenditures of federal awards.

According to county personnel, the funds recorded for the coronavirus relief fund that were received in fiscal year 2021 were mistakenly documented as fiscal year 2021 federal expenditures. In addition, the schedule of expenditures of federal awards documented one grant that they believed would be reimbursed by the federal government and one grant that was mistakenly thought to be from the federal government.

As a result of the errors made and lack of effective operating controls, the original schedule of expenditures of federal awards was misstated. In addition, by including some of the expenditures on the current year schedule of expenditures of federal awards, a single audit was missed in the prior year.

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

Section II: Financial Statement Findings (Continued)

2021-002 The Schedule Of Expenditures Of Federal Awards Was Overstated (Continued)

Strong internal controls over financial reporting are vital in ensuring that federal awards expended are accounted for and reported properly. Strong internal controls are also important in safeguarding the county's assets and those given the responsibility of accounting for them, as well as helping make certain the county is in compliance with all requirements and guidance. The purpose of the schedule of expenditures of federal awards is to trace and document the amount of federal awards spent each fiscal year and to ensure a single audit is performed if total federal expenditures exceed \$750,000. Additionally, 2 CFR 200.510(b) states, "[t]he auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended."

We recommend the Ohio County Fiscal Court implement or strengthen controls over the schedule of expenditures of federal awards reporting to ensure amounts reported represent true federal expenditures during the year.

Views of Responsible Official and Planned Corrective Action:

County Judge Executive's Response: Our best effort is put into correctly stating our federal expenditures. Due to lack of information on grants and ability to locate information this is not always possible.

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**

OHIO COUNTY FISCAL COURT

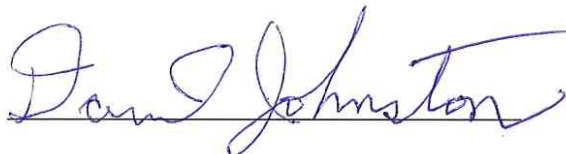
For The Year Ended June 30, 2021

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CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
COUNTY FISCAL COURT

For The Year Ended June 30, 2021

The Ohio 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.

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County Judge/Executive

A handwritten signature in blue ink that reads "Anne Metten". The signature is written in a cursive style with a horizontal line underneath.

County Treasurer