

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

**For The Year Ended
June 30, 2022**



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
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CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
OHIO COUNTY OFFICIALS	5
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - REGULATORY BASIS.....	8
NOTES TO FINANCIAL STATEMENT.....	12
BUDGETARY COMPARISON SCHEDULES.....	27
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES	37
SCHEDULE OF CAPITAL ASSETS.....	41
NOTES TO OTHER INFORMATION - REGULATORY BASIS SCHEDULE OF CAPITAL ASSETS.....	42
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 <i>GOVERNMENT AUDITING STANDARDS</i>	45
SCHEDULE OF FINDINGS AND RESPONSES.....	49
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

Independent Auditor's Report

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

Report on the Audit of the Financial Statement

Opinions

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, 2022, 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.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompany financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and changes in fund balances – regulatory basis of the Ohio County Fiscal Court, for the year ended June 30, 2022, in accordance with accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

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 section of our report, the financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Ohio County Fiscal Court, for the year ended June 30, 2022, or the changes in financial position and cash flows thereof for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Fiscal Court Audit Guide* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of Ohio County Fiscal Court and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



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

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 and pervasive.

Responsibilities of Management for the Financial Statement

Ohio County Fiscal Court's management is responsible for the preparation and fair presentation of the 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 Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit 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 Ohio County Fiscal Court's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Ohio County Fiscal Court's ability to continue as a going concern for a reasonable period of time.

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
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Auditor's Responsibilities for the Audit of the Financial Statement (Continued)

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Supplementary 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 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.

The accompanying Budgetary Comparison Schedules 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 are fairly stated in all material respects in relation to the financial statement as a whole.

Other Information

Management is responsible for the other information included in this report. The other information is comprised of the schedule of capital assets but does not include the financial statement and our auditor's report thereon. Our opinions on the financial statement do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statement, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statement, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2023, 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.

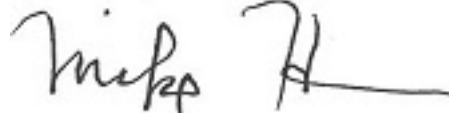
To the People of Kentucky
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Members of the Ohio County Fiscal Court

Other Reporting Required by *Government Auditing Standards* (Continued)

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

- 2022-001 The Ohio County Fiscal Court Does Not Have Adequate Controls Over Occupational And Net Profit Taxes Collections
- 2022-002 The Ohio County Detention Center Does Not Have Adequate Segregation Of Duties Over Jail Commissary Receipts And Disbursements
- 2022-003 The Ohio County Fiscal Court Did Not Have A Properly Designed Purchase Order System

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Mike H", with a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts
Frankfort, Ky

May 11, 2023

OHIO COUNTY OFFICIALS
For The Year Ended June 30, 2022

Fiscal Court Members:

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

Other Elected Officials:

Justin Keown	County Attorney
Gerry Wright	Jailer
Bess 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, 2022

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

For The Year Ended June 30, 2022

	Budgeted Funds		
	General Fund	Road Fund	Local Government Economic Assistance Fund
RECEIPTS			
Taxes	\$ 4,523,914	\$	\$
In Lieu Tax Payments	30,000		
Licenses and Permits	102,387		
Intergovernmental	1,973,046	2,505,794	557,972
Charges for Services	215,655		
Miscellaneous	576,321	216,958	3,327
Interest	7,307	1,851	646
Total Receipts	<u>7,428,630</u>	<u>2,724,603</u>	<u>561,945</u>
DISBURSEMENTS			
General Government	4,482,830		90,452
Protection to Persons and Property	1,276,096		16,744
General Health and Sanitation	218,504		
Social Services	250,929		6,198
Recreation and Culture	477,943		47,215
Roads		2,078,022	
Airports			14,722
Debt Service	126,612	58,713	
Capital Projects			588,640
Administration	530,711	426,967	
Total Disbursements	<u>7,363,625</u>	<u>2,563,702</u>	<u>763,971</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>65,005</u>	<u>160,901</u>	<u>(202,026)</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds	230,251		100,000
Transfers To Other Funds	<u>(100,100)</u>		
Total Other Adjustments to Cash (Uses)	<u>130,151</u>		<u>100,000</u>
Net Change in Fund Balance	195,156	160,901	(102,026)
Fund Balance - Beginning (Restated)	<u>2,277,028</u>	<u>351,525</u>	<u>212,230</u>
Fund Balance - Ending	<u>\$ 2,472,184</u>	<u>\$ 512,426</u>	<u>\$ 110,204</u>
Composition of Fund Balance			
Bank Balance	\$ 2,548,194	\$ 531,211	\$ 119,832
Plus: Deposits In Transit	2,863		
Less: Outstanding Checks	<u>(78,873)</u>	<u>(18,785)</u>	<u>(9,628)</u>
Fund Balance - Ending	<u>\$ 2,472,184</u>	<u>\$ 512,426</u>	<u>\$ 110,204</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, 2022
(Continued)

Budgeted Funds						
Federal Grants Fund	Forest Fire Protection Fund	Landfill Fund	Ohio County Economic Development Alliance Fund	Emergency Services Fund	American Rescue Plan Act Fund	Waterline Reserve Fund
\$	\$ 6,156	\$ 50,000	\$	\$ 859,873	\$	\$
80,843		134,746	33,332	232,435	2,331,115	38,005
	7	523	720	577	3,919	173
<u>80,843</u>	<u>6,163</u>	<u>185,269</u>	<u>34,052</u>	<u>1,092,885</u>	<u>2,337,032</u>	<u>38,178</u>
50,000	2,785		161,130	371	885,025	
				935,199	381,791	9,000
					93,800	
					173,515	
					285,000	
		138,754				
26,653					2,593	
				10,938	3,618	
<u>76,653</u>	<u>2,785</u>	<u>138,754</u>	<u>161,130</u>	<u>946,508</u>	<u>1,825,342</u>	<u>9,000</u>
4,190	3,378	46,515	(127,078)	146,377	511,690	29,178
100		(30,000)		(200,000)	(251)	
<u>100</u>		<u>(30,000)</u>		<u>(200,000)</u>	<u>(251)</u>	
4,290	3,378	16,515	(127,078)	(53,623)	511,439	29,178
	1,055	210,623	355,174	180,712	2,330,947	51,840
<u>\$ 4,290</u>	<u>\$ 4,433</u>	<u>\$ 227,138</u>	<u>\$ 228,096</u>	<u>\$ 127,089</u>	<u>\$ 2,842,386</u>	<u>\$ 81,018</u>
\$ 4,290	\$ 4,433	\$ 227,138	\$ 228,096	\$ 138,659	\$ 2,859,583	\$ 81,018
				86		
				(11,656)	(17,197)	
<u>\$ 4,290</u>	<u>\$ 4,433</u>	<u>\$ 227,138</u>	<u>\$ 228,096</u>	<u>\$ 127,089</u>	<u>\$ 2,842,386</u>	<u>\$ 81,018</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, 2022
(Continued)

	<u>Unbudgeted Fund</u>	
	<u>Jail Commissary Fund</u>	<u>Total Funds</u>
RECEIPTS		
Taxes	\$	\$ 5,389,943
In Lieu Tax Payments		80,000
Licenses and Permits		102,387
Intergovernmental		7,681,205
Charges for Services		388,406
Miscellaneous	21,734	853,670
Interest		15,723
Total Receipts	<u>21,734</u>	<u>14,511,334</u>
DISBURSEMENTS		
General Government		5,669,808
Protection to Persons and Property		2,612,615
General Health and Sanitation		227,504
Social Services		350,927
Recreation and Culture	9,835	708,508
Roads		2,363,022
Airports		14,722
Debt Service		324,079
Capital Projects		617,886
Administration		972,234
Total Disbursements	<u>9,835</u>	<u>13,861,305</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>11,899</u>	<u>650,029</u>
Other Adjustments to Cash (Uses)		
Transfers From Other Funds		330,351
Transfers To Other Funds		(330,351)
Total Other Adjustments to Cash (Uses)		
Net Change in Fund Balance	11,899	650,029
Fund Balance - Beginning (Restated)	<u>24,686</u>	<u>5,995,820</u>
Fund Balance - Ending	<u>\$ 36,585</u>	<u>\$ 6,645,849</u>
Composition of Fund Balance		
Bank Balance	\$ 36,585	\$ 6,779,039
Plus: Deposits In Transit		2,949
Less: Outstanding Checks		(136,139)
Fund Balance - Ending	<u>\$ 36,585</u>	<u>\$ 6,645,849</u>

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

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENT**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	12
NOTE 2.	DEPOSITS	15
NOTE 3.	TRANSFERS.....	15
NOTE 4.	LEASES	15
NOTE 5.	NOTES RECEIVABLE	16
NOTE 6.	LONG-TERM DEBT	18
NOTE 7.	COMMITMENT DEBT.....	19
NOTE 8.	EMPLOYEE RETIREMENT SYSTEM	20
NOTE 9.	DEFERRED COMPENSATION.....	22
NOTE 10.	FLEXIBLE SPENDING ACCOUNT.....	22
NOTE 11.	INSURANCE.....	23
NOTE 12.	RELATED PARTY TRANSACTIONS.....	23
NOTE 13.	CONDUIT DEBT.....	23
NOTE 14.	PRIOR PERIOD ADJUSTMENTS	23

**OHIO COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2022

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 for and on behalf of, and as the agency and instrumentality of 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, 2022
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

Federal Grants Fund - The primary purpose of this fund is to account for federal grants and related disbursements. The primary sources of receipts for this fund are grants from the federal government.

Forest Fire Protection Fund - The primary purpose of this fund is to account for disbursements related to fire protection. The primary sources 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 source of receipts for this fund is 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 the payments to support the operation of emergency management. The primary sources of receipts for this fund are a portion of occupational taxes collected.

American Rescue Plan Act Fund - The primary purpose of this fund is to account for the receipts and disbursements of the American Rescue Plan Act funds provided by the federal government. The primary source of receipts for this fund is federal monies.

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

Unbudgeted Fund

The fiscal court reports the following 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 according to the laws of Kentucky as required by the state local finance officer, 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.

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.

OHIO COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information (Continued)

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.

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.

OHIO COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 2. Deposits

The fiscal court maintains 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.

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, 2022, 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 2022.

	General Fund	Landfill Fund	Emergency Services Fund	America Rescue Plan Act Fund	Total Transfers In
General Fund	\$	\$ 30,000	\$ 200,000	\$ 251	\$ 230,251
LGEA Fund	100,000				100,000
Federal Grants Fund	100				100
Total Transfers Out	<u>\$ 100,100</u>	<u>\$ 30,000</u>	<u>\$ 200,000</u>	<u>\$ 251</u>	<u>\$ 330,351</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. Leases

A. Lessor

1. Administrative Office of the Courts

On June 15, 2021, the Ohio County Fiscal Court began leasing space in the Ohio County Community Center to the Administrative Office of the Courts. The lease is for one year, with the option to renew annually. Ohio County recognized \$131,877 in lease revenue during the current fiscal year related to this lease.

**OHIO COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)**

Note 4. Leases (Continued)

A. Lessor (Continued)

2. KY Counseling Partners

On January 1, 2021, the Ohio County Fiscal Court began leasing office space in a building owned by the county to KY Counseling Partners, LLC. The lease is for one year, with the option to renew annually. Ohio County recognized \$7,700 in lease revenue during the current fiscal year related to this lease.

3. Kentucky Child Support

On January 1, 2021, the Ohio County Fiscal Court began leasing space in the Ohio County Community Center to the Ohio County Child Support Office. The lease is for two years, with the option to renew for an additional two year period. Ohio County recognized \$4,517 in lease revenue during the current fiscal year related to this lease.

B. Lessee

1. Postage Machine

On January 1, 2021, the Ohio County Fiscal Court entered into a five-year lease agreement for the use of two postage machines. An initial lease liability was recorded in the amount of \$3,353 during the current fiscal year, which is the annual payment due. As of June 30, 2022, the value of the lease had been satisfied for the current fiscal year. The lease value of the outstanding payments is \$11,736.

Note 5. Notes Receivable

The following are the notes receivable as of June 30, 2022, that the county has outstanding under the Ohio County Economic Development Alliance:

A. Kelly Gilstrap (Subway)

On March 9, 2015, the county loaned \$20,000 to Kelly Gilstrap (Subway) for the purpose of financing certain real estate. Terms of the agreement stipulate a seven-year repayment schedule with interest from 2.44 percent to 2.81 percent. As of June 30, 2022, the loan has a 2.44 percent interest rate. County records indicate Kelly Gilstrap (Subway) is in substantial compliance with this agreement. As of June 30, 2022, the principal balance has been paid in full.

B. Kelsey Johnson (Bluegrass Family Dentistry)

On April 27, 2017, the county loaned \$50,000 to Kelsey Johnson for Bluegrass Family Dentistry for the purpose of providing working capital at the borrower's business. Terms of the agreement stipulate a five-year repayment schedule with interest from 2.44 percent to 2.81 percent. As of June 30, 2022, the loan has a 2.44 percent interest rate. County records indicate Kelsey Johnson is in substantial compliance with this agreement. As of June 30, 2022, the principal balance has been paid in full.

OHIO COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 5. Notes Receivable (Continued)

C. Brett and Ronald Renfrow (Renfrow Distribution)

On February 1, 2019, the county loaned \$40,000 to Renfrow Distribution for the purpose of paving and renovating property. Terms of the agreement stipulate a fifteen-year repayment schedule with interest from 2.44 percent to 2.81 percent. As of June 30, 2022, the loan has a 2.44 percent interest rate. County records indicate Renfrow Distribution is in substantial compliance with this agreement. As of June 30, 2022, the principal balance due was \$32,465.

D. Midkiff Custom Clearing

On March 8, 2021, the county loaned \$30,000 to Midkiff Custom Clearing for the purpose of providing working capital at the borrower's business. Terms of the agreement stipulate a seven-year repayment schedule with interest from 2.44 percent to 2.81 percent. As of June 30, 2022, the loan has a 2.44 percent interest rate. County records indicate Midkiff Custom Clearing is in substantial compliance with this agreement. As of June 30, 2022, the principal balance due was \$25,042.

E. Luke Burden (Cinema 33)

On June 18, 2022, the county loaned \$100,000 to Cinema 33 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. County records indicate Cinema 33 is in substantial compliance with this agreement. As of June 30, 2022, the principal balance due was \$98,525.

F. Clint Magan (Magan's Tiling)

On August 9, 2021, the county loaned \$25,000 to Magan's Tiling for the purpose of purchasing equipment and renovating property. Terms of the agreement stipulate a seven-year repayment schedule at 3.56 percent interest rate, payable starting September 20, 2021. County records indicate Magan's Tiling is in substantial compliance with this agreement. As of June 30, 2022, the principal balance due was \$22,209.

G. Tamarlane Industries

On February 2, 2022, the county loaned \$100,000 to Tamarlane for the purpose of purchasing equipment and renovating property. Terms of the agreement stipulate a seven-year repayment schedule at 2.44 percent interest rate, payable starting March 1, 2022. County records indicate Tamarlane Industries is in substantial compliance with this agreement. As of June 30, 2022, the principal balance due was \$98,148.

H. Jason Hoops (365 Off Road)

On October 18, 2021, the county loaned \$36,000 to 365 Off Road for the purpose of purchasing equipment and renovating property. Terms of the agreement stipulate a seven-year repayment schedule at 2.44 percent interest rate, payable starting November 10, 2021. County records indicate 365 Off Road is in substantial compliance with this agreement. As of June 30, 2022, the principal balance due was \$32,684.

OHIO COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(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, KY. 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 3.35 percent for a period of 20 years with principal and interest payments due monthly. The principal balance at June 30, 2022, was \$388,902. Future debt service requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2023	\$ 115,181	\$ 11,430
2024	119,137	7,475
2025	123,265	3,157
2026	31,319	178
Totals	<u>\$ 388,902</u>	<u>\$ 22,240</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 2.44 percent. Principal and interest payments are due on the first day of each month until the termination date of April 1, 2022. The outstanding principal was paid, and the debt was retired during fiscal year ended June 30, 2022.

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 2019 John Deere Tractor and 2020 Tiger Boom 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, 2022, was \$87,406. Future debt service requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2023	\$ 22,756	\$ 2,656
2024	23,548	1,864
2025	24,378	1,035
2026	16,724	218
Totals	<u>\$ 87,406</u>	<u>\$ 5,773</u>

OHIO COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 6. Long-term Debt (Continued)

B. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2022, was as follows:

	(Restated*) Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 643,127	\$	\$ 166,818	\$ 476,309	\$ 138,103
Total Long-term Debt	<u>\$ 643,127</u>	<u>\$ 0</u>	<u>\$ 166,818</u>	<u>\$ 476,309</u>	<u>\$ 138,103</u>

*Beginning balance restated by \$67.

C. Aggregate Debt Schedule

The amount of required principal and interest payments on long-term obligations at June 30, 2022, were as follows:

Fiscal Year Ended June 30	Direct Borrowings and Direct Placements	
	Principal	Interest
2023	\$ 137,937	\$ 25,351
2024	142,685	16,680
2025	147,643	7,475
2026	<u>48,043</u>	<u>567</u>
Totals	<u>\$ 476,308</u>	<u>\$ 50,073</u>

Note 7. Commitment Debt

In 2009, the Ohio County Fiscal Court entered into a financial obligation agreement with the Ohio County Water District to provide semi-annual payments of principal, interest, and fees up to \$3,000,000 on a Kentucky Infrastructure Authority (KIA) loan the water district incurred for construction of a new water treatment plant and related facilities. The agreement authorized and provided for the fiscal court to have a prepayment privilege of all, or part of, the water district KIA loan obligation made by the fiscal court without a prepayment penalty. A prepayment in the amount of \$550,000 was made on the loan on April 1, 2009. This payment reduced the loan payment obligation by \$550,000, thereby leaving only a maximum loan payment obligation of \$2,450,000 in principal and the interest and loan servicing fee. The fiscal court's financial obligation shall continue until the KIA loan has been paid in full. The fiscal court agrees to reserve sufficient funds each year in its annual budget to provide for such payments. The fiscal court's obligation for fiscal year 2022 was \$123,524.

OHIO COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 8. 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 (Ky. Ret. Sys.). 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 Pension Authority (KPPA) was created by KRS 61.505 to provide staffing and daily administrative needs for CERS and Ky. Ret. Sys. The CERS nine (9) member board of trustees is responsible for the governance of the CERS pension and insurance plans.

The county's contribution for FY 2020 was \$715,125, FY 2021 was \$729,617, and FY 2022 was \$862,780.

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 Ky. Ret. Sys. 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 Ky. Ret. Sys. 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 26.95 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, 2022
(Continued)

Note 8. 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 Ky. Ret. Sys. 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.

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.

OHIO COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 8. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

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.

Annual Financial Report and Proportionate Share Audit Report

Ky. Ret. Sys. 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 9. 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.

Note 10. 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.

OHIO COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 11. Insurance

For the fiscal year ended June 30, 2022, 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 12. Related Party Transactions

During the fiscal year ending June 30, 2022, the county paid \$9,661 to a construction company owned by the county treasurer's brother.

Note 13. 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, 2022, conduit debt has been issued but the amount currently outstanding is not reasonably determinable.

Note 14. Prior Period Adjustments

The following adjustment was made to the beginning balance of the noted fund:

Prior Year General Fund Ending Fund Balance	\$ 2,265,579
Adjustments:	
Voided Checks	<u>11,449</u>
Beginning General Fund Balance Restated	<u>\$ 2,277,028</u>

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OHIO COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2022

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OHIO COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2022

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 4,068,000	\$ 4,068,000	\$ 4,523,914	\$ 455,914
In Lieu Tax Payments			30,000	30,000
Licenses and Permits	105,600	105,600	102,387	(3,213)
Intergovernmental	2,336,334	2,336,334	1,973,046	(363,288)
Charges for Services	194,900	194,900	215,655	20,755
Miscellaneous	577,381	577,381	576,321	(1,060)
Interest	6,850	6,850	7,307	457
Total Receipts	7,289,065	7,289,065	7,428,630	139,565
DISBURSEMENTS				
General Government	4,468,563	5,203,418	4,482,830	720,588
Protection to Persons and Property	1,597,351	1,619,319	1,276,096	343,223
General Health and Sanitation	211,911	271,098	218,504	52,594
Social Services	229,293	334,998	250,929	84,069
Recreation and Culture	404,906	496,913	477,943	18,970
Debt Service	126,613	126,613	126,612	1
Administration	1,269,087	1,279,137	530,711	748,426
Total Disbursements	8,307,724	9,331,496	7,363,625	1,967,871
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,018,659)	(2,042,431)	65,005	2,107,436
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	30,000	30,000	230,251	200,251
Transfers To Other Funds			(100,100)	(100,100)
Total Other Adjustments to Cash (Uses)	30,000	30,000	130,151	100,151
Net Change in Fund Balance	(988,659)	(2,012,431)	195,156	2,207,587
Fund Balance - Beginning (Restated)	988,659	2,012,431	2,277,028	264,597
Fund Balance - Ending	\$ 0	\$ 0	\$ 2,472,184	\$ 2,472,184

OHIO COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 2,827,395	\$ 2,827,395	\$ 2,505,794	\$ (321,601)
Miscellaneous	245,000	245,000	216,958	(28,042)
Interest	2,000	2,000	1,851	(149)
Total Receipts	3,074,395	3,074,395	2,724,603	(349,792)
DISBURSEMENTS				
Roads	2,523,228	2,787,728	2,078,022	709,706
Debt Service	58,725	58,725	58,713	12
Capital Projects	120,000	82,000		82,000
Administration	474,883	497,467	426,967	70,500
Total Disbursements	3,176,836	3,425,920	2,563,702	862,218
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(102,441)	(351,525)	160,901	512,426
Net Change in Fund Balance	(102,441)	(351,525)	160,901	512,426
Fund Balance - Beginning	102,441	351,525	351,525	
Fund Balance - Ending	\$ 0	\$ 0	\$ 512,426	\$ 512,426

OHIO COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 921,043	\$ 921,043	\$ 557,972	\$ (363,071)
Miscellaneous			3,327	3,327
Interest	100	100	646	546
Total Receipts	921,143	921,143	561,945	(359,198)
DISBURSEMENTS				
General Government	15,045	202,228	90,452	111,776
Protection to Persons and Property	27,000	24,100	16,744	7,356
Social Services	4,698	7,598	6,198	1,400
Recreation and Culture	43,500	55,950	47,215	8,735
Airports	14,900	14,900	14,722	178
Capital Projects	816,000	828,560	588,640	239,920
Administration		37		37
Total Disbursements	921,143	1,133,373	763,971	369,402
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(212,230)	(202,026)	10,204
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			100,000	100,000
Total Other Adjustments to Cash (Uses)			100,000	100,000
Net Change in Fund Balance		(212,230)	(102,026)	110,204
Fund Balance - Beginning		212,230	212,230	
Fund Balance - Ending	\$ 0	\$ 0	\$ 110,204	\$ 110,204

OHIO COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

FEDERAL GRANTS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)
	Original	Final	
			Variance with Final Budget Positive (Negative)
RECEIPTS			
Intergovernmental	\$	\$ 200,000	\$ 80,843
Total Receipts		200,000	80,843
DISBURSEMENTS			
General Government		200,000	50,000
Capital Projects			26,653
Total Disbursements		200,000	76,653
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			4,190
Other Adjustments to Cash (Uses)			
Transfers From Other Funds			100
Total Other Adjustments to Cash (Uses)			100
Net Change in Fund Balance			4,290
Fund Balance - Beginning			
Fund Balance - Ending	\$ 0	\$ 0	\$ 4,290

OHIO COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

FOREST FIRE PROTECTION FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 6,300	\$ 6,300	\$ 6,156	\$ (144)
Interest	50	50	7	(43)
Total Receipts	6,350	6,350	6,163	(187)
DISBURSEMENTS				
Protection to Persons and Property	6,350	7,405	2,785	4,620
Total Disbursements	6,350	7,405	2,785	4,620
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(1,055)	3,378	4,433
Net Change in Fund Balance		(1,055)	3,378	4,433
Fund Balance - Beginning		1,055	1,055	
Fund Balance - Ending	\$ 0	\$ 0	\$ 4,433	\$ 4,433

OHIO COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

LANDFILL FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
In Lieu Tax Payments	\$	\$	\$ 50,000	\$ 50,000
Charges for Services	140,500	140,500	134,746	(5,754)
Interest	500	500	523	23
Total Receipts	141,000	141,000	185,269	44,269
DISBURSEMENTS				
Debt Service	111,000	138,755	138,754	1
Administration		182,868		182,868
Total Disbursements	111,000	321,623	138,754	182,869
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	30,000	(180,623)	46,515	227,138
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(30,000)	(30,000)	(30,000)	
Total Other Adjustments to Cash (Uses)	(30,000)	(30,000)	(30,000)	
Net Change in Fund Balance		(210,623)	16,515	227,138
Fund Balance - Beginning		210,623	210,623	
Fund Balance - Ending	\$ 0	\$ 0	\$ 227,138	\$ 227,138

OHIO COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

OHIO COUNTY ECONOMIC DEVELOPMENT ALLIANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 17,500	\$ 17,500	\$ 33,332	\$ 15,832
Interest	300	300	720	420
Total Receipts	17,800	17,800	34,052	16,252
DISBURSEMENTS				
General Government	417,800	417,800	161,130	256,670
Total Disbursements	417,800	417,800	161,130	256,670
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(400,000)	(400,000)	(127,078)	272,922
Net Change in Fund Balance	(400,000)	(400,000)	(127,078)	272,922
Fund Balance - Beginning	400,000	400,000	355,174	(44,826)
Fund Balance - Ending	\$ 0	\$ 0	\$ 228,096	\$ 228,096

OHIO COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

EMERGENCY SERVICES FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 770,000	\$ 770,000	\$ 859,873	\$ 89,873
Intergovernmental	186,000	186,000	232,435	46,435
Miscellaneous				
Interest			577	577
Total Receipts	956,000	956,000	1,092,885	136,885
DISBURSEMENTS				
General Government		371	371	
Protection to Persons and Property	955,903	988,949	935,199	53,750
Administration	97	147,392	10,938	136,454
Total Disbursements	956,000	1,136,712	946,508	190,204
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(180,712)	146,377	327,089
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(200,000)	(200,000)
Total Other Adjustments to Cash (Uses)			(200,000)	(200,000)
Net Change in Fund Balance		(180,712)	(53,623)	127,089
Fund Balance - Beginning		180,712	180,712	
Fund Balance - Ending	\$ 0	\$ 0	\$ 127,089	\$ 127,089

OHIO COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

AMERICAN RESCUE PLAN ACT FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 2,326,745	\$ 2,326,745	\$ 2,331,115	\$ 4,370
Miscellaneous			1,998	1,998
Interest			3,919	3,919
Total Receipts	2,326,745	2,326,745	2,337,032	10,287
DISBURSEMENTS				
General Government		993,285	885,025	108,260
Protection to Persons and Property		447,424	381,791	65,633
Social Services		213,565	93,800	119,765
Recreation and Culture		221,439	173,515	47,924
Roads		339,925	285,000	54,925
Capital Projects	2,326,745	149,487	2,593	146,894
Administration		2,292,567	3,618	2,288,949
Total Disbursements	2,326,745	4,657,692	1,825,342	2,832,350
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(2,330,947)	511,690	2,842,637
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(251)	(251)
Total Other Adjustments to Cash (Uses)			(251)	(251)
Net Change in Fund Balance		(2,330,947)	511,439	2,842,386
Fund Balance - Beginning		2,330,947	2,330,947	
Fund Balance - Ending	\$ 0	\$ 0	\$ 2,842,386	\$ 2,842,386

OHIO COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(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	\$ 38,005	\$ (1,495)
Interest	500	500	173	(327)
Total Receipts	40,000	40,000	38,178	(1,822)
DISBURSEMENTS				
General Health and Sanitation	40,000	91,840	9,000	82,840
Total Disbursements	40,000	91,840	9,000	82,840
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(51,840)	29,178	81,018
Net Change in Fund Balance		(51,840)	29,178	81,018
Fund Balance - Beginning		51,840	51,840	
Fund Balance - Ending	\$ 0	\$ 0	\$ 81,018	\$ 81,018

**OHIO COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES**

June 30, 2022

Note 1. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting according to the laws of Kentucky as required by the state local finance officer, 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.

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. Excess of Disbursements Over

The federal grants fund, capital projects line-item, exceeded budgeted appropriations by \$26,653.

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OHIO COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2022

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OHIO COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2022

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 & Building Improvements	6,689,808			6,689,808
Equipment	2,899,799	344,110	81,242	3,162,667
Vehicles	2,711,491	507,559	254,510	2,964,540
Infrastructure	12,301,017	785,336		13,086,353
 Total Capital Assets	 <u>\$ 25,986,491</u>	 <u>\$ 1,637,005</u>	 <u>\$ 335,752</u>	 <u>\$ 27,287,744</u>

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

June 30, 2022

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

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

The Honorable David Johnston, Ohio County Judge/Executive
Members of the Ohio County Fiscal Court

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, 2022, 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 11, 2023.

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.

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 Responses, we identified a certain deficiency in internal control that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

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 Responses as item 2022-001 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)

Internal Control Over Financial Reporting (Continued)

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. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2022-002 and 2022-003 to be significant deficiencies.

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2022-001.

Views of Responsible Official and Planned Corrective Action

Ohio County's views and planned corrective action for the findings identified in our audit are included in the accompanying Schedule of Findings and Responses. 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 Harmon", with a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts
Frankfort, Ky

May 11, 2023

**OHIO COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2022

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**OHIO COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2022

FINANCIAL STATEMENT FINDINGS:

2022-001 The Ohio County Fiscal Court Does Not Have Adequate Controls Over Occupational And Net Profit Tax Collections

During the testing of occupational and net profit taxes the following exceptions were noted:

- Out of ten companies selected for occupational tax testing, three original returns were not maintained properly.
- Out of ten companies selected for occupational tax testing, nine had at least one quarterly return that was not filed in a timely manner. This resulted in a total of 15 quarterly occupational tax returns that were filed late.
- Out of ten companies selected for occupational tax testing, there were three instances where the return was not completed properly.
- Out of 20 companies selected for net profit testing, one company's net profit tax return was not maintained.
- Out of 20 companies tested, there were three instances where the net profit tax return was filed late without an extension.
- Out of 20 companies tested, there were two instances where the company did not file a net profit return.

Additionally, daily deposits for occupational tax and net profit are not made intact, as required by state requirements.

According to the occupational tax administrator there are only two individuals working in the office and without extra help companies' occupational tax returns and net profit returns do not always get processed accurately. Additionally, the deposits are not made intact because the bank allows them to split the deposit between the general fund and emergency management fund.

By failing to implement internal controls over the collection of occupational taxes and net profits the county could lose out on tax revenues. Additionally, the county is not in compliance with the Department for Local Government's (DLG) budget manual.

Effective internal controls include procedures to ensure occupational and net profits tax collections are properly and accurately processed and recorded to the ledger on a timely basis.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts which is outlined in the *County Budget Preparation & State Local Finance Officer Policy Manual* (DLG budget manual). The DLG budget manual requires public officials to make daily deposits intact into a federal insured banking institution.

We recommend the county implement internal control procedures to ensure that the county is properly processing occupational taxes and net profit taxes correctly. Additionally, we recommend that all deposits be made intact into one bank account and then the separate portion transferred to another account instead of splitting the deposit.

**OHIO COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2022
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2022-001 The Ohio County Fiscal Court Does Not Have Adequate Controls Over Occupational And Net Profit Tax Collections (Continued)

County Judge/Executive's Response:

Bullet points addressed:

- *Will look into desktop scanners with a scan sorting software. This will enable our office to locate forms received more efficiently.*
- *Will mail delinquent notices on a more frequent basis.*
- *Will look into software availability that would enable taxpayers to upload to us directly with the ability to be notified when more information is required.*
- *Scanning software, as mentioned above, would allow for forms to be accessed once scanned and easy to retrieve.*
- *We notify the Net Profits License Fee Returns that when filing late we must receive an extension to waive the late filing penalty.*
- *We will speak with the county attorney to determine a method on noncompliant filers of Net Profits License Fee Returns. Possibly a letter on county attorney letterhead will capture their attention and they may respond more timely.*

2022-002 The Ohio County Detention Center Does Not Have 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 does not have 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 the proper segregation of duties, 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.

Jailer's Response: Cash and Receipts are segregated as much as feasibly possible with current staff. We will implement a second person to review and certify the Commissary Fund Bank Statements. This will begin immediately.

**OHIO COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2022
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2022-003 The Ohio County Fiscal Court Did Not Have A Properly Designed Purchase Order System

The Ohio County Fiscal Court's purchase order system is not designed properly. Due to departments not being able to keep up-to-date changes in budget, departments cannot ensure that they are not overspending in a budgeted area.

This was due to a misunderstanding of purchase order requirements. The county treasurer believed the current purchase order system was sufficient. If a properly designed purchase order system is not kept in place, the fiscal court cannot ensure that their disbursements are within budgeted amounts.

KRS 68.210 gives the state local finance officer the authority to prescribe a system of uniform accounts. The Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* states, "[p]urchase requests shall not be approved in an amount that exceeds the available line item appropriation unless the necessary and appropriate transfers have been made."

In addition, according to a memorandum from DLG dated August 4, 2016, "[t]he main purpose of this system is to ensure that purchases can be made if there are sufficient appropriations available within the amount of line items in the county's budget. Because of this, it is a requirement by the State Local Finance Officer that all counties have a purchase order system and follow the guidelines prescribed on Page 54 of the *County Budget Preparation and State Local Finance Officer Policy Manual*." Additionally, the *County Budget Preparation and State Local Finance Officer Policy Manual* also states, "[e]ach department head issuing purchase request shall keep an updated appropriation ledger and/or create a system of communication between the department head and the judge/executive or designee who is responsible for maintaining an updated, comprehensive appropriation ledger for the county." The definition for a purchase order journal is "[a] daily, chronological listing of all purchase orders issued. The listing is the book of original entry for all county purchases. The journal should indicate the P.O. number, issue approved by appropriation account code to where the payment will be posted, vendor name, date invoice received, amount of invoice, date claim reviewed by fiscal court, date paid, and amount paid." Furthermore, DLG highly recommends that counties accept the practice of issuing purchase orders for payroll and utility claims.

Also, Chapter 11(b) Purchase Order System in the county's administrative code states, "Ohio County Fiscal Court and All Departments will follow Purchasing Policy and Procedures of the Ohio County Fiscal Court. The Purchasing Policy of the Ohio County Fiscal Court will follow all State and Federal requirements of proper procurement."

Strong internal controls dictate that purchase orders be approved and issued prior to items being ordered and expenses being incurred, in order to ensure available line-item appropriation exists.

We recommend the Ohio County Fiscal Court implement internal control procedures to ensure the purchase order system is operating as designed.

County Judge/Executive's Response: Payroll date fell on Friday, July 1. Payroll match checks, from General, Road, Emg Services and ARPA Funds has to be issued on Thursday, June 30 in order for the payroll account not to be overdrawn. There was no other way to handle this and keep compliant and not overdraw the payroll revolving account.

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

OHIO COUNTY FISCAL COURT

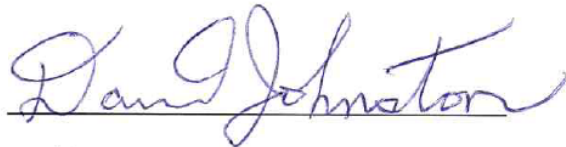
For The Year Ended June 30, 2022

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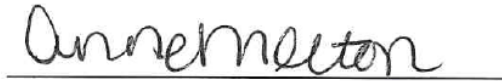
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
OHIO COUNTY FISCAL COURT

For The Year Ended June 30, 2022

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.



David Johnson, Ohio County Judge/Executive



Anne Melton, County Treasurer