

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

**For The Year Ended
June 30, 2020**



**MIKE HARMON
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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 Casey Ellis, Owen County Judge/Executive
Members of the Owen 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 Owen County Fiscal Court, for the year ended June 30, 2020, and the related notes to the financial statement which collectively comprise the Owen 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
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Casey Ellis, Owen County Judge/Executive
Members of the Owen 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 Owen 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 Owen County Fiscal Court as of June 30, 2020, 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 Owen County Fiscal Court as of June 30, 2020, 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 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 Owen 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.

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.

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

Other Matters (Continued)

Supplementary and Other Information (Continued)

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2022, on our consideration of the Owen 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 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 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 Owen County Fiscal Court's internal control over financial reporting and compliance.

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

February 11, 2022

OWEN COUNTY OFFICIALS
For The Year Ended June 30, 2020

Fiscal Court Members:

Robert "Casey" Ellis	County Judge/Executive
Todd Spurgeon	Magistrate
Stuart Bowling	Magistrate
Wayne Harris	Magistrate
Chad Rose	Magistrate

Other Elected Officials:

Josh Smith	County Attorney
Cindy Bruce Walker	Jailer
Laurel Stivers	County Clerk
Margaret Forsee	Circuit Court Clerk
Mark Bess	Sheriff
Blake Robertson	Property Valuation Administrator
Mark Garnett	Coroner

Appointed Personnel:

Amanda Perkins (Through 11/20)	County Treasurer
Tina McNay (11/20 - Present)	County Treasurer
Kelly Perkins	HR/Finance Officer

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

For The Year Ended June 30, 2020

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

For The Year Ended June 30, 2020

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 2,136,550	\$	\$
Excess Fees	551,837		
Licenses and Permits	844		
Intergovernmental	304,698	2,279,054	84,080
Charges for Services	1,059,003	4,354	10
Miscellaneous	68,130	47,807	
Interest	4,768	21,240	163
Total Receipts	<u>4,125,830</u>	<u>2,352,455</u>	<u>84,253</u>
DISBURSEMENTS			
General Government	1,607,637		
Protection to Persons and Property	1,134,232		252,681
General Health and Sanitation	188,844		
Social Services	660,525		
Recreation and Culture	54,168		
Roads		2,710,221	
Debt Service	120,406		
Capital Projects			
Administration	31,538		35,234
Total Disbursements	<u>3,797,350</u>	<u>2,710,221</u>	<u>287,915</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>328,480</u>	<u>(357,766)</u>	<u>(203,662)</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds			200,000
Transfers To Other Funds	(200,000)		
Total Other Adjustments to Cash (Uses)	<u>(200,000)</u>		<u>200,000</u>
Net Change in Fund Balance	128,480	(357,766)	(3,662)
Fund Balance - Beginning (Restated)	<u>727,827</u>	<u>1,665,723</u>	<u>6,194</u>
Fund Balance - Ending	<u>\$ 856,307</u>	<u>\$ 1,307,957</u>	<u>\$ 2,532</u>
Composition of Fund Balance			
Bank Balance	\$ 789,714	\$ 630,088	\$ 8,326
Less: Outstanding Checks	(25,088)	(1,934)	(5,794)
Certificates of Deposit	91,681	679,803	
Fund Balance - Ending	<u>\$ 856,307</u>	<u>\$ 1,307,957</u>	<u>\$ 2,532</u>

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

OWEN COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2020
(Continued)

<u>Budgeted Funds</u>			<u>Unbudgeted Fund</u>	
<u>Transient Tax Tourism Fund</u>	<u>E-911 Fund</u>	<u>Restricted Fund</u>	<u>Public Properties Corporation Fund</u>	<u>Total Funds</u>
\$ 36,215	\$ 9,644	\$	\$	\$ 2,182,409
				551,837
				844
			892,753	3,560,585
				1,063,367
				115,937
3	333	11,385		37,892
<u>36,218</u>	<u>9,977</u>	<u>11,385</u>	<u>892,753</u>	<u>7,512,871</u>
				1,607,637
	13,815			1,400,728
				188,844
				660,525
33,081				87,249
				2,710,221
			891,253	1,011,659
			1,500	68,272
<u>33,081</u>	<u>13,815</u>		<u>892,753</u>	<u>7,735,135</u>
3,137	(3,838)	11,385		(222,264)
				200,000
				(200,000)
3,137	(3,838)	11,385		(222,264)
11,149	98,611	943,492	7,060	3,460,056
<u>\$ 14,286</u>	<u>\$ 94,773</u>	<u>\$ 954,877</u>	<u>\$ 7,060</u>	<u>\$ 3,237,792</u>
\$ 14,286	\$ 94,773	\$ 438,508	\$ 7,060	\$ 1,982,755
		516,369		(32,816)
				1,287,853
<u>\$ 14,286</u>	<u>\$ 94,773</u>	<u>\$ 954,877</u>	<u>\$ 7,060</u>	<u>\$ 3,237,792</u>

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

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**OWEN COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2020

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Basis of Accounting

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

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

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

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

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

OWEN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

Transient Tax Tourism Fund - The primary purpose of this fund is to account for transient room tax receipts and disbursements. The primary source of receipts for this fund is transient room taxes.

E-911 Fund - The primary purpose of this fund is to account for the dispatch expenses of the county. The primary source of receipts for this fund is the 911 telephone surcharge.

Restricted Fund - The primary purpose of this fund is to set aside funds designated for specific purposes. The primary source of the receipts for this fund is the insurance premium tax.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Public Properties Corporation Fund - The primary purpose of this fund is to account for the proceeds and debt service of revenue bonds that were issued to fund construction of public buildings.

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 public properties corporation fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

E. Owen County Elected Officials

Kentucky law provides for election of the officials listed below from the geographic area constituting Owen 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 Owen County Fiscal Court.

OWEN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Owen County Elected Officials (Continued)

- 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.

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, 2020, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

OWEN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2020.

	General Fund	Total Transfers In
Jail Fund	\$ 200,000	\$ 200,000
Total Transfers Out	\$ 200,000	\$ 200,000

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. Long-term Debt

A. Direct Borrowings and Direct Placements

1. Financing Obligation - Heart Monitors

In December 2015, the Owen County Fiscal Court entered into a lease purchase agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) for the purchase of four monitor/defibrillators. The original lease was for \$84,796. The lease is scheduled to be paid in monthly increments at varying interest rates with final payment due in December 2025. In the event of default, the lessor may terminate the lease and recover the lease payments which would have otherwise been payable during the lease period, or sell/sublease the project for the account of the lessee yet holding the lessee liable for all lease payments that would be due under the lease for which any proceeds of the sale/lease of the project does not provide. As of June 30, 2020, the principal amount outstanding was \$46,638. The following schedule outlines future debt service requirements:

Fiscal Year Ending June 30	Principal	Interest
2021	\$ 8,480	\$ 1,729
2022	8,480	1,387
2023	8,480	1,044
2024	8,480	702
2025	8,480	358
2026	4,238	50
Totals	\$ 46,638	\$ 5,270

OWEN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 4. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

2. Financing Obligation - 2013 Ambulance

In April 2016, the Owen County Fiscal Court entered into a lease purchase agreement with the Peoples Bank and Trust Co. for the purchase of a 2013 ambulance. The original lease was for \$99,032. The lease is scheduled to be paid in regular monthly payments of \$990 at the interest rate of 3.70% with final payment due in April 2026. In the event of default, the lessor may terminate the lease and recover the lease payments which would have otherwise been payable during the lease period, or sell/sublease the project for the account of the lessee yet holding the lessee liable for all lease payments that would be due under the lease for which any proceeds of the sale/lease of the project does not provide. As of June 30, 2020, the principal amount outstanding was \$62,190. The following schedule outlines future debt service requirements:

Fiscal Year Ending June 30	Principal	Interest
2021	\$ 9,726	\$ 2,153
2022	10,094	1,785
2023	10,477	1,402
2024	10,874	1,004
2025	11,287	592
2026	9,732	167
Totals	<u>\$ 62,190</u>	<u>\$ 7,103</u>

3. Financing Obligation - Remount Ambulance

In January 2017, the Owen County Fiscal Court entered into a lease purchase agreement with the Peoples Bank and Trust Co. for the purchase of a 2016 truck with remount ambulance body. The original lease was for \$72,958. The lease is scheduled to be paid in regular monthly payments of \$730 at the interest rate of 3.70% with final payment of \$40,479 due in January 2022. In the event of default, the lessor may terminate the lease and recover the lease payments which would have otherwise been payable during the lease period, or sell/sublease the project for the account of the lessee yet holding the lessee liable for all lease payments that would be due under the lease for which any proceeds of the sale/lease of the project does not provide. As of June 30, 2020, the principal amount outstanding was \$51,024. The following schedule outlines future debt service requirements:

Fiscal Year Ending June 30	Principal	Interest
2021	\$ 6,966	\$ 1,795
2022	44,058	801
Totals	<u>\$ 51,024</u>	<u>\$ 2,596</u>

OWEN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 4. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

4. Financing Obligation - Hydraulic Excavator

In May 2017, the Owen County Fiscal Court entered into a lease purchase agreement with Cat Financial Services Corporation for the purchase of a hydraulic excavator. The original lease was for \$74,395. The lease is scheduled to be paid in regular monthly payments of \$1,353 at the interest rate of 3.49% with final payment due in May 2022. In the event of default, the lessor may terminate the lease and recover the lease payments which would have otherwise been payable during the lease period, or sell/sublease the project for the account of the lessee yet holding the lessee liable for all lease payments that would be due under the lease for which any proceeds of the sale/lease of the project does not provide. As of June 30, 2020, the principal amount outstanding was \$30,061. The following schedule outlines future debt service requirements:

Fiscal Year Ending June 30	Principal	Interest
2021	\$ 15,432	\$ 804
2022	14,629	256
Totals	<u>\$ 30,061</u>	<u>\$ 1,060</u>

5. Financing Obligation - Sheriff Vehicle

On July 1, 2017, the Owen County Fiscal Court assumed a lease purchase agreement with the Peoples Bank and Trust Co. for the purchase of a 2016 vehicle as a result of enactment of fee pooling. The balance upon assumption was \$29,725. The lease was paid in regular annual payments of \$10,661 at the interest rate of 3.70% with the final payment being made December 31, 2019. As of June 30, 2020, this debt was paid in full.

6. Financing Obligation - 2018 Ambulance

On January 18, 2019, the Owen County Fiscal Court entered into a lease purchase agreement with the Peoples Bank and Trust Co. for the purchase of a 2018 ambulance. The original lease was for \$68,032. The lease is scheduled to be paid in 59 regular monthly payments of \$743 and one irregular final payment of \$33,823 at the interest rate of 3.70% with final payment due January 18, 2024. In the event of default, the lessor may terminate the lease and recover the lease payments which would have otherwise been payable during the lease period, or sell/sublease the project for the account of the lessee yet holding the lessee liable for all lease payments that would be due under the lease for which any proceeds of the sale/lease of the project does not provide. As of June 30, 2020, the principal amount outstanding is \$58,782. The following schedule outlines future debt service requirements:

Fiscal Year Ending June 30	Principal	Interest
2021	\$ 6,830	\$ 2,089
2022	7,091	1,828
2023	7,362	1,557
2024	37,499	783
Totals	<u>\$ 58,782</u>	<u>\$ 6,257</u>

OWEN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 4. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

7. Financing Obligation - 2016 Ambulance

On March 18, 2019, the Owen County Fiscal Court entered into a lease purchase agreement with the Peoples Bank and Trust Co. for the purchase of a 2016 ambulance. The original lease was for \$44,454. The lease is scheduled to be paid in 59 regular monthly payments of \$537 at the interest rate of 3.70% with final payment due March 18, 2024. In the event of default, the lessor may terminate the lease and recover the lease payments which would have otherwise been payable during the lease period, or sell/sublease the project for the account of the lessee yet holding the lessee liable for all lease payments that would be due under the lease for which any proceeds of the sale/lease of the project does not provide. As of June 30, 2020, the principal amount outstanding is \$38,361. The following schedule outlines future debt service requirements:

Fiscal Year Ending June 30	Principal	Interest
2021	\$ 5,090	\$ 1,352
2022	5,284	1,158
2023	5,486	956
2024	5,694	749
2025	5,913	530
2026-2027	10,894	379
Totals	<u>\$ 38,361</u>	<u>\$ 5,124</u>

B. Other Debt

1. Public Properties Corporation - Court Facilities Project

In April 2010, the Owen County Public Properties Corporation entered into an agreement for the issuance of \$12,555,000 first mortgage revenue bonds, series 2010, for the costs of the justice center project. The bonds were issued for a 20 year period, with semi-annual interest payments due May 1 and November 1 each year, beginning November 1, 2010, and principal due upon maturity at May 1, 2030. On December 21, 2017, bonds maturing after October 31, 2021 in the amount of \$6,715,000 were refinanced in a legal defeasance (see Note 4.B.2). As of June 30, 2020, the principal amount outstanding is \$610,000. In the event of default, by enforcement of the foreclosable mortgage lien on the project site and improvements granted by the mortgage, and in such event the trustee will take over possession, custody and control of the project and will operate or carry out decretal sale of same with due regard to state and federal law and the covenants contained in the lease for the benefit of the owners of the bonds; or by bringing suit. The following schedule outlines debt service requirements for the revenue bonds.

Fiscal Year Ended June 30	Principal	Interest
2021	<u>\$ 610,000</u>	<u>\$ 22,875</u>
Totals	<u>\$ 610,000</u>	<u>\$ 22,875</u>

OWEN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 4. Long-term Debt (Continued)

B. Other Debt (Continued)

2. Public Properties Corporation – First Mortgage Revenue Refunding Bonds Series 2017

The Owen County Public Properties Corporation issued first mortgage revenue refunding bonds in the amount of \$6,825,000 dated December 21, 2017, for the purpose of refunding the callable portion of first mortgage revenue bonds, series 2010 (see Note 4.B.1). The bonds were issued for a 12 year period at interest rates which vary between 3.00 and 4.00% with semi-annual interest payments due in May and November and annual principal payments due in November. In the event of default, by enforcement of the foreclosable mortgage lien on the project site and improvements granted by the mortgage, and in such event the trustee will take over possession, custody and control of the project and will operate or carry out decretal sale of same with due regard to state and federal law and the covenants contained in the lease for the benefit of the owners of the bonds; or by bringing suit. As of June 30, 2020, the principal amount outstanding is \$6,825,000. The following schedule outlines debt service requirements for the revenue bonds.

Fiscal Year Ended June 30	Principal	Interest
2021	\$	\$ 255,450
2022	510,000	245,250
2023	685,000	221,350
2024	715,000	193,350
2025	745,000	164,150
2026-2030	4,170,000	358,675
Totals	<u>\$ 6,825,000</u>	<u>\$ 1,438,225</u>

3. General Obligation Bonds Series 2018 - Facilities Upgrade

The Owen County Fiscal Court issued general obligation bonds, series 2018, in the amount of \$1,590,000 dated February 1, 2018, for courthouse facility upgrades. The bonds were issued for a 12 year period at 3.00% interest rate with semi-annual interest payments due in June and December and annual principal payments due in December. As of June 30, 2020, the principal amount outstanding is \$1,525,000. In the event of default, by enforcement of the foreclosable mortgage lien on the project site and improvements granted by the mortgage, and in such event the trustee will take over possession, custody and control of the project and will operate or carry out decretal sale of same with due regard to state and federal law and the covenants contained in the lease for the benefit of the owners of the bonds; or by bringing suit. The following schedule outlines debt service requirements for the bonds:

Fiscal Year Ending June 30	Principal	Interest
2021	\$ 65,000	\$ 45,456
2022	65,000	43,506
2023	70,000	41,482
2024	70,000	39,381
2025	70,000	37,281
2026-2030	395,000	152,281
2031-2035	465,000	88,082
2036-2038	325,000	15,941
Totals	<u>\$ 1,525,000</u>	<u>\$ 463,410</u>

OWEN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 4. Long-term Debt (Continued)

C. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements (Restated)*	\$ 348,242		\$ 61,186	\$ 287,056	\$ 52,524
Other Debt	9,615,000		655,000	8,960,000	675,000
Total Long-term Debt	<u>\$ 9,963,242</u>	<u>\$ 0</u>	<u>\$ 716,186</u>	<u>\$ 9,247,056</u>	<u>\$ 727,524</u>

*Prior year ending balance was adjusted by \$36 to accurately report principal balance at July 1, 2019.

D. Aggregate Debt Schedule

The amounts of required principal and interest payments on long-term obligations at June 30, 2020 were as follows:

Fiscal Year Ending June 30	Other Debt		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2021	\$ 675,000	\$ 323,781	\$ 52,524	\$ 9,922
2022	575,000	288,756	89,636	7,215
2023	755,000	262,832	31,805	4,959
2024	785,000	232,731	62,547	3,238
2025	815,000	201,431	25,680	1,480
2026-2030	4,565,000	510,956	24,864	596
2031-2035	465,000	88,082		
2036-2038	325,000	15,941		
Totals	<u>\$ 8,960,000</u>	<u>\$ 1,924,510</u>	<u>\$ 287,056</u>	<u>\$ 27,410</u>

Note 5. Commitments and Contingencies

The county is involved in a lawsuit. Due to the uncertainty of the litigation, a reasonable estimate of the financial impact on the county cannot be made at this time.

OWEN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 6. Employee Retirement System

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute.

The county's contribution for FY 2018 was \$411,306; FY 2019 was \$454,087; and FY 2020 was \$455,186.

Nonhazardous

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

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

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

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

Hazardous

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

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

OWEN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 6. Employee Retirement System (Continued)

Hazardous (Continued)

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

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

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

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

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

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

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

OWEN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 6. Employee Retirement System (Continued)

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

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

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

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

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

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

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

D. Cost of Living Adjustments - Tier 1

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

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

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

F. Death Benefit

If a retired member is receiving a monthly benefit based on at least 48 months of service credit, KRS 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.

OWEN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 6. Employee Retirement System (Continued)

KRS Annual Financial Report and Proportionate Share Audit Report

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

KRS 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 7. Deferred Compensation

The Owen 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 8. Insurance

For the fiscal year ended June 30, 2020, the Owen 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.

OWEN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 9. Conduit Debt

From time to time the county has issued bonds to provide financial assistance to American Water Company 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, certifications of participation, or similar debt instruments issued to benefit a third party that is not part of the reporting entity. Although conduit debt obligations bear the Owen 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 of 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. Accordingly, the bonds are not reported as liabilities in the accompanying financial statement. As of June 30, 2020, conduit debt has been issued but the amount currently outstanding is not reasonably determinable.

Note 10. Prior Period Adjustment

	General Fund
Beginning Balance - June 30, 2019	\$ 636,721
Adjustments:	
Voided Checks	128
General Obligation Bond	90,978
Restated Beginning Balance - June 30, 2019	<u>\$ 727,827</u>

OWEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2020

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OWEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2020

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 2,115,000	\$ 2,115,000	\$ 2,136,550	\$ 21,550
Excess Fees	425,000	425,000	551,837	126,837
Licenses and Permits	1,200	1,200	844	(356)
Intergovernmental	3,543,740	3,543,740	304,698	(3,239,042)
Charges for Services	1,910,341	1,910,341	1,059,003	(851,338)
Miscellaneous	119,500	119,500	68,130	(51,370)
Interest	4,000	4,000	4,768	768
Total Receipts	8,118,781	8,118,781	4,125,830	(3,992,951)
DISBURSEMENTS				
General Government	1,714,787	1,776,188	1,607,637	168,551
Protection to Persons and Property	1,386,548	1,408,698	1,134,232	274,466
General Health and Sanitation	322,990	358,589	188,844	169,745
Social Services	1,364,226	1,369,471	660,525	708,946
Recreation and Culture	2,023,549	2,041,219	54,168	1,987,051
Debt Service	120,406	120,406	120,406	
Administration	950,898	808,833	31,538	777,295
Total Disbursements	7,883,404	7,883,404	3,797,350	4,086,054
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	235,377	235,377	328,480	93,103
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	125,000	125,000		(125,000)
Transfers To Other Funds	(546,648)	(546,648)	(200,000)	346,648
Total Other Adjustments to Cash (Uses)	(421,648)	(421,648)	(200,000)	221,648
Net Change in Fund Balance	(186,271)	(186,271)	128,480	314,751
Fund Balance - Beginning (Restated)	186,271	186,271	727,827	541,556
Fund Balance - Ending	\$ 0	\$ 0	\$ 856,307	\$ 856,307

OWEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2020
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 3,466,788	\$ 3,466,788	\$ 2,279,054	\$ (1,187,734)
Charges for Services			4,354	4,354
Miscellaneous	52,500	52,500	47,807	(4,693)
Interest	23,000	23,000	21,240	(1,760)
Total Receipts	<u>3,542,288</u>	<u>3,542,288</u>	<u>2,352,455</u>	<u>(1,189,833)</u>
DISBURSEMENTS				
Roads	3,317,288	3,414,126	2,710,221	703,905
Administration	100,000	3,162		3,162
Total Disbursements	<u>3,417,288</u>	<u>3,417,288</u>	<u>2,710,221</u>	<u>707,067</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>125,000</u>	<u>125,000</u>	<u>(357,766)</u>	<u>(482,766)</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(125,000)</u>	<u>(125,000)</u>		125,000
Total Other Adjustments to Cash (Uses)	<u>(125,000)</u>	<u>(125,000)</u>		125,000
Net Change in Fund Balance			(357,766)	(357,766)
Fund Balance - Beginning			<u>1,665,723</u>	<u>1,665,723</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,307,957</u>	<u>\$ 1,307,957</u>

OWEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2020
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 88,900	\$ 88,900	\$ 84,080	\$ (4,820)
Charges for Services	100	100	10	(90)
Miscellaneous	10,000	10,000		(10,000)
Interest	150	150	163	13
Total Receipts	99,150	99,150	84,253	(14,897)
DISBURSEMENTS				
Protection to Persons and Property	379,707	382,829	252,681	130,148
Administration	41,091	37,969	35,234	2,735
Total Disbursements	420,798	420,798	287,915	132,883
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(321,648)	(321,648)	(203,662)	117,986
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	321,648	321,648	200,000	(121,648)
Total Other Adjustments to Cash (Uses)	321,648	321,648	200,000	(121,648)
Net Change in Fund Balance			(3,662)	(3,662)
Fund Balance - Beginning			6,194	6,194
Fund Balance - Ending	\$ 0	\$ 0	\$ 2,532	\$ 2,532

OWEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2020
(Continued)

TRANSIENT TAX TOURISM FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 50,000	\$ 50,000	\$ 36,215	\$ (13,785)
Interest			3	3
Total Receipts	50,000	50,000	36,218	(13,782)
DISBURSEMENTS				
Recreation and Culture	50,000	50,000	33,081	16,919
Total Disbursements	50,000	50,000	33,081	16,919
Net Change in Fund Balance			3,137	3,137
Fund Balance - Beginning			11,149	11,149
Fund Balance - Ending	\$ 0	\$ 0	\$ 14,286	\$ 14,286

OWEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2020
(Continued)

E-911 FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 21,400	\$ 21,400	\$ 9,644	\$ (11,756)
Interest	100	100	333	233
Total Receipts	21,500	21,500	9,977	(11,523)
DISBURSEMENTS				
Protection to Persons and Property	21,500	21,500	13,815	7,685
Total Disbursements	21,500	21,500	13,815	7,685
Net Change in Fund Balance			(3,838)	(3,838)
Fund Balance - Beginning			98,611	98,611
Fund Balance - Ending	\$ 0	\$ 0	\$ 94,773	\$ 94,773

OWEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2020
(Continued)

	RESTRICTED FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$	\$	\$ 11,385	\$ 11,385
Total Receipts			11,385	11,385
DISBURSEMENTS				
Administration	225,000	225,000		225,000
Total Disbursements	225,000	225,000		225,000
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(225,000)	(225,000)	11,385	236,385
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	225,000	225,000		(225,000)
Total Other Adjustments to Cash (Uses)	225,000	225,000		(225,000)
Net Change in Fund Balance			11,385	11,385
Fund Balance - Beginning			943,492	943,492
Fund Balance - Ending	\$ 0	\$ 0	\$ 954,877	\$ 954,877

OWEN COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2020

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.

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OWEN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2020

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OWEN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity's Identifying Number	Provided to Subrecipient	Total Federal Expenditures
<u>U.S. Department of Health and Human Services</u>				
<i>Direct Program</i>				
Blood Diseases and Resources Research	93.839	N/A	\$	\$ 2,400
Total U.S. Department of Health and Human Services				2,400
<u>U. S. Department of Homeland Security</u>				
<i>Passed-Through Kentucky Emergency Management Agency</i>				
Emergency Management Performance Grants	97.042	PO2 095 1700001447 2		13,677
Emergency Management Performance Grants	97.042	EMA-2018-EP-0006-501		5,350
<i>Passed-Through Kentucky Department of Military Affairs</i>				
Disaster Grants- Public Assistance (Presidentially Declared Disasters)	97.036	SC-095-1900001681		78,512
Disaster Grants- Public Assistance (Presidentially Declared Disasters)	97.036	SC-095-1900000568		545,728
Total U.S. Department of Homeland Security				643,267
<u>U. S. Department of the Treasury</u>				
<i>Passed-Through Kentucky Department for Local Government</i>				
COVID-19 Coronavirus Relief Fund	21.019	PON2 112 2100000821		198,139
Total U.S. Department of the Treasury				198,139
<u>U. S. Department of Transportation</u>				
<i>Passed-Through Kentucky Department of Transportation</i>				
Formula Grants for Rural Areas and Tribal Transit Program	20.509	KY-2018-015-01		220,706
Formula Grants for Rural Areas and Tribal Transit Program	20.509	KY-2020-011-00		49,315
Total U.S. Department of Transportation				270,021
Total Expenditures of Federal Awards			\$	\$ 1,113,827

The accompanying notes are an integral part of this schedule.

OWEN COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2020

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Owen County, Kentucky under programs of the federal government for the year ended June 30, 2020. 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 Owen County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Owen 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

Owen 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.

OWEN COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2020

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OWEN COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2020

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 620,000	\$	\$	\$ 620,000
Buildings	13,229,849			13,229,849
Land Improvements	1,040,139			1,040,139
Vehicles and Equipment	3,469,767	129,601	87,175	3,512,193
Infrastructure	38,178,706	226,436		38,405,142
 Total Capital Assets	 <u>\$ 56,538,461</u>	 <u>\$ 356,037</u>	 <u>\$ 87,175</u>	 <u>\$ 56,807,323</u>

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

June 30, 2020

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	\$ 2,000	10-60
Buildings and Building Improvements	\$ 2,000	10-75
Equipment	\$ 2,000	3-25
Vehicles	\$ 2,000	3-25
Infrastructure	\$ 2,000	10-50

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Casey Ellis, Owen County Judge/Executive
Members of the Owen 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 Owen County Fiscal Court for the fiscal year ended June 30, 2020 and the related notes to the financial statement which collectively comprise the Owen County Fiscal Court's financial statement and have issued our report thereon dated February 11, 2022.

Internal Control Over Financial Reporting

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



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 Owen 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*.

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

Mike Harmon
Auditor of Public Accounts

February 11, 2022

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Casey Ellis, Owen County Judge/Executive
Members of the Owen County Fiscal Court

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

Independent Auditor's Report

Report on Compliance for Each Major Federal Program

We have audited the Owen 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 Owen County Fiscal Court's major federal programs for the year ended June 30, 2020. The Owen 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 Owen 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 Owen 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 Owen County Fiscal Court's compliance.



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

Opinion on Each Major Federal Program

In our opinion, the Owen 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, 2020.

Report on Internal Control over Compliance

Management of the Owen 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 Owen 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 as a basis for designing audit 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 Owen 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 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 significant deficiencies or material weaknesses. 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 line extending to the right.

Mike Harmon
Auditor of Public Accounts

February 11, 2022

OWEN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2020

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

For The Year Ended June 30, 2020

Section I: Summary of Auditor's Results

Financial Statement

Type of report auditor issued: 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 type="checkbox"/> Yes	<input checked="" 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>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
CFDA #21.019	Coronavirus Relief Fund
CFDA #97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)

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

OWEN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2020
(Continued)

Section II: Financial Statement Findings

None.

Section III: Federal Award Findings And Questioned Costs

None.

Section IV: Summary Schedule of Prior Audit Findings

None.