

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

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



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

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

CONTENTS

PAGE

| | |
|--|----|
| INDEPENDENT AUDITOR’S REPORT | 1 |
| PULASKI COUNTY OFFICIALS | 5 |
| STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - REGULATORY BASIS..... | 8 |
| NOTES TO FINANCIAL STATEMENT..... | 12 |
| BUDGETARY COMPARISON SCHEDULES..... | 37 |
| NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES | 44 |
| SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS | 47 |
| NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS | 48 |
| SCHEDULE OF CAPITAL ASSETS..... | 51 |
| NOTES TO OTHER INFORMATION - REGULATORY BASIS SCHEDULE OF CAPITAL ASSETS..... | 52 |
| 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> | 55 |
| REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE | 59 |
| SCHEDULE OF FINDINGS AND QUESTIONED COSTS | 65 |
| 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 Marshall Todd, Pulaski County Judge/Executive

The Honorable Stephen B. Kelley, Jr., Former Pulaski County Judge/Executive

Members of the Pulaski 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 Pulaski County Fiscal Court, for the year ended June 30, 2022, and the related notes to the financial statement, which collectively comprise the Pulaski 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 Pulaski 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 Pulaski 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 Pulaski 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
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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the Pulaski 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

Pulaski 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 Pulaski 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 Pulaski County Fiscal Court's ability to continue as a going concern for a reasonable period of time.

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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 Pulaski County Fiscal Court. The Budgetary Comparison Schedules and the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 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.

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.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2023, on our consideration of the Pulaski 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 Pulaski County Fiscal Court's internal control over financial reporting and compliance.

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

- 2022-001 The Pulaski County Fiscal Court Lacks Adequate Segregation Of Duties Over Cash, Receipts, And Reconciliations
- 2022-002 The Pulaski County Fiscal Court Lacks Adequate Controls Over Occupational Tax Receipts
- 2022-003 The Pulaski County Fiscal Court's Budget Was Not Prepared Or Reviewed Properly
- 2022-004 The Jail Fund Has A Deficit Fund Balance Of (\$5,045)
- 2022-005 The Pulaski County Fiscal Court Did Not Correctly Record Interfund Transfers
- 2022-006 The Pulaski County Fiscal Court Did Not Have Strong Internal Controls Over Disbursements
- 2022-007 The Pulaski County Fiscal Court Did Not Properly Disclose Debt Information On The Quarterly Financial Report
- 2022-008 The Pulaski County Fiscal Court Did Not Maintain Proper Records For The Public Properties Corporation Fund And General Obligation Bond Funds
- 2022-009 The Pulaski County Detention Center Did Not Prepare Daily Check-Out Sheets For All Revenue Received
- 2022-010 The Pulaski County Detention Center Did Not Have Strong Internal Controls Over Disbursements
- 2022-011 The Pulaski County Fiscal Court Did Not Follow Proper Procurement Procedures For Purchases Over \$20,000
- 2022-012 The Pulaski County Fiscal Court Did Not Properly Budget And Include All Debt Activity In The Financial Statement
- 2022-013 The Pulaski County Fiscal Court's Capital Asset Listing Had Material Misstatements

Respectfully submitted,



Mike Harmon
 Auditor of Public Accounts
 Frankfort, Ky

September 20, 2023

PULASKI COUNTY OFFICIALS**For The Year Ended June 30, 2022****Fiscal Court Members:**

| | |
|------------------------|------------------------|
| Stephen B. Kelley, Jr. | County Judge/Executive |
| Jason Turpen | Magistrate |
| Mike Wilson | Magistrate |
| Jimmy Wheeldon | Magistrate |
| Mark Ranshaw | Magistrate |
| Mike Strunk | Magistrate |

Other Elected Officials:

| | |
|------------------|----------------------------------|
| Martin Hatfield | County Attorney |
| Anthony McCollum | Jailer |
| Linda Burnett | County Clerk |
| J.S. Flynn | Circuit Court Clerk |
| Greg Speck | Sheriff |
| TW Todd | Property Valuation Administrator |
| Clyde Strunk | Coroner |

Appointed Personnel:

| | |
|-------------|--------------------------|
| Joan Isaacs | County Treasurer |
| Ross Corder | Chief Financial Officer |
| Dan Price | Deputy Judge |
| Johnny Cain | Administrative Assistant |

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

For The Year Ended June 30, 2022

PULASKI 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 | Jail Fund |
| RECEIPTS | | | |
| Taxes | \$ 16,132,384 | \$ | \$ |
| In Lieu Tax Payments | 131,054 | 50,289 | |
| Excess Fees | 1,656,919 | | |
| Licenses and Permits | 300,483 | | |
| Intergovernmental | 1,304,292 | 3,832,591 | 2,967,388 |
| Charges for Services | 463,751 | | 41,814 |
| Miscellaneous | 295,841 | 200,465 | 151,239 |
| Interest | 5,822 | 3,977 | 657 |
| Total Receipts | <u>20,290,546</u> | <u>4,087,322</u> | <u>3,161,098</u> |
| DISBURSEMENTS | | | |
| General Government | 8,052,207 | | |
| Protection to Persons and Property | 1,323,141 | | 3,865,357 |
| General Health and Sanitation | 1,918,151 | | |
| Social Services | | | |
| Recreation and Culture | 571,355 | | |
| Roads | | 6,201,063 | |
| Airports | 18,750 | | |
| Debt Service | 1,028,839 | 1,095,496 | |
| Capital Projects | 2,424,191 | 669,822 | |
| Administration | 1,717,324 | 1,004,622 | 1,674,030 |
| Total Disbursements | <u>17,053,958</u> | <u>8,971,003</u> | <u>5,539,387</u> |
| Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses) | <u>3,236,588</u> | <u>(4,883,681)</u> | <u>(2,378,289)</u> |
| Other Adjustments to Cash (Uses) | | | |
| Financing Obligation Proceeds | | 566,823 | |
| Transfers From Other Funds | 1,084,137 | 3,255,269 | 2,187,762 |
| Transfers To Other Funds | <u>(5,937,314)</u> | | |
| Total Other Adjustments to Cash (Uses) | <u>(4,853,177)</u> | <u>3,822,092</u> | <u>2,187,762</u> |
| Net Change in Fund Balance | (1,616,589) | (1,061,589) | (190,527) |
| Fund Balance - Beginning (Restated) | <u>5,643,291</u> | <u>1,405,702</u> | <u>185,482</u> |
| Fund Balance - Ending | <u>\$ 4,026,702</u> | <u>\$ 344,113</u> | <u>\$ (5,045)</u> |
| Composition of Fund Balance | | | |
| Bank Balance | \$ 4,153,357 | \$ 414,074 | \$ 48,896 |
| Plus: Deposits In Transit | | | |
| Less: Outstanding Checks | (126,655) | (69,961) | (53,941) |
| Fund Balance - Ending | <u>\$ 4,026,702</u> | <u>\$ 344,113</u> | <u>\$ (5,045)</u> |

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

PULASKI COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2022
(Continued)

| Budgeted Funds | | | |
|--|-----------------------|----------------------|---------------------|
| Local Government Economic Assistance Fund | Grant Fund | Fire Fund | 911 Fund |
| \$ | \$ | \$ 4,228,281 | \$ |
| 354,702 | 274,414 | | 321,507 |
| | | 40,994 | |
| | | 1,697,783 | |
| 541 | | 7,108 | 714 |
| <u>355,243</u> | <u>274,414</u> | <u>5,974,166</u> | <u>322,221</u> |
| 20,000 | | | |
| 5,950 | | 3,366,610 | 1,835,012 |
| 86,868 | | | |
| 67,758 | | | |
| 164,118 | | | |
| | | 53,071 | 57,241 |
| | 19,000 | 212,366 | 49,561 |
| | 5,000 | 211,783 | 707,883 |
| <u>344,694</u> | <u>24,000</u> | <u>3,843,830</u> | <u>2,649,697</u> |
| 10,549 | 250,414 | 2,130,336 | (2,327,476) |
| | | 94,220 | 1,973,555 |
| | | (500,000) | |
| | | (405,780) | 1,973,555 |
| 10,549 | 250,414 | 1,724,556 | (353,921) |
| 163,652 | 323,629 | 1,709,322 | 496,394 |
| <u>\$ 174,201</u> | <u>\$ 574,043</u> | <u>\$ 3,433,878</u> | <u>\$ 142,473</u> |
| \$ 177,517 | \$ 574,043 | \$ 3,523,124 | \$ 172,041 |
| (3,316) | | (89,246) | (29,568) |
| <u>\$ 174,201</u> | <u>\$ 574,043</u> | <u>\$ 3,433,878</u> | <u>\$ 142,473</u> |

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

PULASKI COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2022
(Continued)

| | Unbudgeted Funds | | | |
|--|---|--|-------------------------------------|------------------------|
| | Public Properties Corporation Fund | American Relief Plan Fund | Jail Commissary Fund | Total Funds |
| RECEIPTS | | | | |
| Taxes | \$ | \$ | \$ | \$ 20,360,665 |
| In Lieu Tax Payments | | | | 181,343 |
| Excess Fees | | | | 1,656,919 |
| Licenses and Permits | | | | 300,483 |
| Intergovernmental | 1,916,587 | 6,310,705 | | 17,282,186 |
| Charges for Services | | | | 546,559 |
| Miscellaneous | | | 668,016 | 3,013,344 |
| Interest | | 6,019 | | 24,838 |
| Total Receipts | <u>1,916,587</u> | <u>6,316,724</u> | <u>668,016</u> | <u>43,366,337</u> |
| DISBURSEMENTS | | | | |
| General Government | | | | 8,072,207 |
| Protection to Persons and Property | | 927,187 | | 11,323,257 |
| General Health and Sanitation | | | | 1,918,151 |
| Social Services | | | | 86,868 |
| Recreation and Culture | | | 784,505 | 1,423,618 |
| Roads | | | | 6,365,181 |
| Airports | | | | 18,750 |
| Debt Service | 1,914,387 | | | 4,149,034 |
| Capital Projects | | 3,460,676 | | 6,835,616 |
| Administration | 2,200 | 109,140 | | 5,431,982 |
| Total Disbursements | <u>1,916,587</u> | <u>4,497,003</u> | <u>784,505</u> | <u>45,624,664</u> |
| Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses) | | <u>1,819,721</u> | <u>(116,489)</u> | <u>(2,258,327)</u> |
| Other Adjustments to Cash (Uses) | | | | |
| Financing Obligation Proceeds | | | | 566,823 |
| Transfers From Other Funds | | | | 8,594,943 |
| Transfers To Other Funds | | <u>(2,157,629)</u> | | <u>(8,594,943)</u> |
| Total Other Adjustments to Cash (Uses) | | <u>(2,157,629)</u> | | <u>566,823</u> |
| Net Change in Fund Balance | | (337,908) | (116,489) | (1,691,504) |
| Fund Balance - Beginning (Restated) | 4,264 | 6,310,660 | 803,599 | 17,045,995 |
| Fund Balance - Ending | <u>\$ 4,264</u> | <u>\$ 5,972,752</u> | <u>\$ 687,110</u> | <u>\$ 15,354,491</u> |
| Composition of Fund Balance | | | | |
| Bank Balance | \$ 4,264 | \$5,994,536 | \$ 673,474 | \$ 15,735,326 |
| Plus: Deposits In Transit | | | 105,626 | 105,626 |
| Less: Outstanding Checks | | (21,784) | (91,990) | (486,461) |
| Fund Balance - Ending | <u>\$ 4,264</u> | <u>\$5,972,752</u> | <u>\$ 687,110</u> | <u>\$ 15,354,491</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..... | 16 |
| NOTE 4. | CUSTODIAL FUNDS | 16 |
| NOTE 5. | LEASES | 16 |
| NOTE 6. | LONG-TERM DEBT | 17 |
| NOTE 7. | COMMITMENTS AND CONTINGENCIES | 28 |
| NOTE 8. | CONDUIT DEBT..... | 28 |
| NOTE 9. | EMPLOYEE RETIREMENT SYSTEM | 28 |
| NOTE 10. | DEFERRED COMPENSATION..... | 32 |
| NOTE 11. | INSURANCE..... | 32 |
| NOTE 12. | PRIOR PERIOD ADJUSTMENTS | 32 |
| NOTE 13. | CAPITAL ASSET SCHEDULE MATERIAL ADJUSTMENT..... | 33 |
| NOTE 14. | JAIL FUND DEFICIT BALANCE | 33 |

**PULASKI COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2022

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The Somerset-Pulaski County Airport Board would have been included in the reporting entity under accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. However, under the regulatory basis, they no longer are required components of the reporting entity. Audits of the following entities can be obtained from the Pulaski County Fiscal Court, P.O. Box 712, Somerset, Kentucky 42502.

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.

PULASKI 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)

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.

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.

Grant Fund - The primary purpose of this fund is to account for grant expenses of the county. The primary source of receipts for this fund is federal and state grants.

Fire Fund - The primary purpose of this fund is to account for fire protection expenses, purchases of buildings and fire equipment of the county including annual allotment payments and expenses of the various county fire departments and the expenses of the Hal Rogers Fire Training Center. The primary source of receipts for this fund is fire insurance premium tax.

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.

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.

American Relief Plan Fund - The purpose of this fund is to account for coronavirus state and local fiscal recovery funds and related disbursements. The primary source of receipts for this fund are federal coronavirus grant funds.

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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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.

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. Pulaski County Elected Officials

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments (Continued)

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.

H. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of the Pulaski County Fiscal Court:

Southeastern Water Association
 Western Pulaski County Water District
 Pulaski County Solid Waste Board

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.

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*. On June 30, 2022, public funds were exposed to custodial credit risk because the bank did not adequately collateralize the fiscal court's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured \$8,382,122

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

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2022.

| | General Fund | Fire Fund | American Relief Plan | Total Transfers In |
|---------------------|---------------------|-------------------|-------------------------|-----------------------|
| General Fund | \$ | \$ 500,000 | \$ 584,137 | \$ 1,084,137 |
| Road Fund | 2,735,000 | | 520,269 | 3,255,269 |
| Jail Fund | 1,504,689 | | 683,073 | 2,187,762 |
| 911 Fund | 1,697,625 | | 275,930 | 1,973,555 |
| Fire Fund | | | 94,220 | 94,220 |
| Total Transfers Out | <u>\$ 5,937,314</u> | <u>\$ 500,000</u> | <u>\$ 2,157,629</u> | <u>\$ 8,594,943</u> |

Reason for transfers:

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

Note 4. Custodial Funds

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

The fiscal court has the following custodial fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2022 was \$191,557.

Note 5. Leases

1. Lessor

A. Kentucky Community and Technical College System – Fire Training Center

During fiscal year 2020, the Pulaski County Fiscal Court began leasing a fire training center to Kentucky Community and Technical College System. The lease is for three years and the Pulaski County Fiscal Court will receive monthly payments of \$2,072. The Pulaski County Fiscal Court recognized \$24,864 in lease revenue during the current fiscal year related to this lease. As of June 30, 2022, the Pulaski County Fiscal Court's receivable for lease payments was \$62,160.

2. Lessee

A. Equipment

During fiscal year 2017, the Pulaski County Fiscal Court entered into a ten-year lease agreement as lessee for the acquisition and use of equipment. A lease liability was recorded in the amount of \$10,805 during the current fiscal year. As of June 30, 2022, the value of the lease liability was \$53,124. The Pulaski County Fiscal Court is required to make monthly principal payments of \$800.

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

Note 5. Leases (Continued)

2. Lessee (Continued)

B. Office Equipment

During fiscal year 2020, the Pulaski County Fiscal Court entered into a four-year lease agreement as lessee for the acquisition and use of office equipment. A lease liability was recorded in the amount of \$2,097 during the current fiscal year. As of June 30, 2022, the value of the lease liability was \$2,272. The Pulaski County Fiscal Court is required to make monthly principal payments of \$175.

C. Equipment

During fiscal year 2021, the Pulaski County Fiscal Court entered into a five-year lease agreement as lessee for the acquisition and use of equipment. A lease liability was recorded in the amount of \$150,962 during the current fiscal year. As of June 30, 2022, the value of the lease liability was \$511,639. The Pulaski County Fiscal Court was required to make payments of 150,962 in total annually.

D. Vehicles

During fiscal years 2020, 2021, and 2022, the Pulaski County Fiscal Court entered into multiple three-year lease agreements as lessee for the acquisition and use of vehicles. A lease liability was recorded in the amount of \$162,151 during the current fiscal year. As of June 30, 2022, the value of the lease liability was \$112,749. The Pulaski County Fiscal Court is required to make monthly principal payments of \$14,501.

Note 6. Long-term Debt

A. Direct Borrowings and Direct Placements

1. General Obligation Refunding Lease, Series 2013 – Fire Trucks

On August 17, 2013, the Pulaski County Fiscal Court entered into an agreement with a local bank for a general obligation refunding lease for the purchase of fire trucks. The principal was \$2,290,547 at 2.31 percent interest for a period of eight years. The agreement requires monthly payments of principal and interest beginning September 1, 2013.

Whenever any event of default has occurred and is continuing, the lessor may, without any further demand or notice, take one or any combination of the following remedial steps:

- (a) By appropriate court action, enforce the pledge set forth in section 4(f) of the ordinance and section 11 of this lease so that during the remaining lease term there is levied on all the taxable property within the county, in addition to all other taxes, without limitation as to the rate or amount, a direct tax annually in an amount sufficient to pay the lease rental payments when and as due;
- (b) Sell or re-lease the Equipment or any portion thereof; or
- (c) Take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the equipment under this lease (including, without limitation, the right to possession of "the equipment and the right to sell or re-lease or otherwise dispose of the equipment in accordance with applicable law), and/or take whatever action at law or in equity may appear necessary or desirable to enforce performance by the lessee of the applicable covenants and agreements of the lessee under this lease (subject, however, to the limitations thereon contained in this lease) and to recover damages for the breach thereof.

This lease was retired as of June 30, 2022.

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

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

2. 911 Project

On December 23, 2013, the Pulaski County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust Program for the purchase of 911 equipment. The principle was \$730,000 at a variable rate from three percent to 4.4 percent interest for a period of 20 years. The agreement requires monthly payments of principal and interest.

Whenever any event of default has occurred and is continuing, the lessor may, without any further demand or notice, take one or any combination of the following remedial steps:

- (a) By appropriate court action, enforce the pledge set forth in section 2 of the ordinance and section 11 of this lease so that during the remaining lease term there is levied on all the taxable property in the lease, in addition to all other taxes, without limitation as to the rate or amount, a direct tax annually in an amount sufficient to pay the lease rental payments when and as due;
- (b) take legal title to, and sell or re-lease the project or any portion thereof;
- (c) take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the project under this lease (including, without limitation, the right to possession of the project and the right to sell or re-lease or otherwise dispose of the project in accordance with applicable law); and/or take whatever action at law or in equity may appear necessary or desirable to enforce performance by the lessee of the applicable covenants and agreements of the lessee under this lease (subject, however, to the limitations thereon contained in this lease) and to recover damages for the breach thereof.

The lessee will remain liable for all covenants and obligations under this lease, and for all legal fees and other costs and expenses, including court costs awarded by a court of competent jurisdiction, incurred by the lessor with respect to the enforcement of any of the remedies under this lease, when a court of competent jurisdiction has finally adjudicated that an event of default has occurred. The principal outstanding as of June 30, 2022, was \$480,417. Future principal and interest requirements are:

| Fiscal Year Ending June 30 | Principal | Scheduled Interest |
|-------------------------------|-------------------|-----------------------|
| 2023 | \$ 35,000 | \$ 21,104 |
| 2024 | 35,000 | 19,893 |
| 2025 | 35,000 | 18,581 |
| 2026 | 37,083 | 17,195 |
| 2027 | 40,000 | 15,619 |
| 2028-2032 | 219,167 | 50,959 |
| 2033-2034 | 79,167 | 5,671 |
| Totals | <u>\$ 480,417</u> | <u>\$ 149,022</u> |

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

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

3. General Obligation Lease

On October 6, 2016, the Pulaski County Fiscal Court entered into an agreement with a local bank for a general obligation lease for the purpose of road improvements, land acquisition and improvement, and acquisition of ambulances. The principal was \$1,332,000 at 1.99 percent interest for a period of ten years. The agreement requires payments of interest due March 1 and September 1, and the principal is due annually on September 1.

Upon the occurrence of an event of default, and as long as the event of default is continuing, lessor may, at its option, exercise any one or more of the following remedies as to the project, to whichever the event of default pertains:

- (a) By appropriate court action, enforce the pledge set forth in section 4 of the Ordinance and section 9 of this lease so that during the remaining lease term there is levied on all the taxable property in the county, in addition to all other taxes, without limitation as to rate, a direct tax annually in an amount sufficient to pay the lease rental payments when and as due;
- (b) By written notice to lessee, enter and take immediate possession of the project; and
- (c) Exercise any other right, remedy or privilege which may be available to it under the applicable laws of the Commonwealth or any other applicable law or proceed by appropriate court action to enforce the terms of this lease or to recover damages for the breach of this lease or to rescind this lease as to any or all of the project.

Lessee will remain liable for all covenants and obligations under this lease, and for all legal fees and other costs and expenses, including court costs awarded by a court of competent jurisdiction, incurred by lessor with respect to the enforcement of any of the remedies under this lease, when a court of competent jurisdiction has finally adjudicated that an event of default has occurred and enforced the remedies set forth in this section; provided that the remedies set forth in clauses (a), (b), and (c) of this section shall only be available for an event of default described in section I 8(a) and any satisfaction of lease rental payments as a result of actions taken under clauses (b) and (c) of this section shall reduce the amount of the direct annual tax required to be levied under clause (a) of this section. The principal outstanding as of June 30, 2022, was \$699,107. Future principal and interest requirements are:

| Fiscal Year Ending June 30 | Principal | Scheduled Interest |
|-------------------------------|-------------------|-----------------------|
| 2023 | \$ 134,313 | \$ 12,576 |
| 2024 | 137,012 | 9,876 |
| 2025 | 139,766 | 7,122 |
| 2026 | 142,575 | 4,313 |
| 2027 | 145,441 | 1,447 |
| Totals | <u>\$ 699,107</u> | <u>\$ 35,334</u> |

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

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

4. Road Equipment – Tractors

On April 19, 2019, the Pulaski County Fiscal Court entered into a three-year agreement for the purchase of five tractors for the road department. The principal was \$722,866 at an interest rate of 4.19%. The agreement requires monthly payments of principal and interest.

An "event of default" will occur if lessee (a) fails to pay any payment when due and such failure continues for ten days after the due date for such payment or (b) fails to perform or observe any other covenant, condition, or agreement to be performed or observed by the lessee under this agreement and such failure is not cured within 20 days after written notice of such failure from the lessor.

Upon an event of default, the lessor will have all rights and remedies available under applicable law. In addition, the lessor may declare all lease payments due or to become due during the fiscal year in which the event of default occurs to be immediately due and payable by the lessee and/or the lessor may repossess the units by giving the lessee written notice to deliver the units to the lessor in the manner provided in section 14, or in the event the lessee fail to do so within ten days after receipt of such notice, and subject to all applicable laws, the lessor may enter upon your premises and take possession of the units. Further, if the lessor financed obligations under any extended warranty agreement such as an equipment protection plan, extended service contract, extended warranty, customer service agreement, total maintenance and repair agreement or similar agreement, the lessor may cancel such extended warranty agreement on the lessee's behalf and receive the refund of the extended warranty agreement fees that were financed but not received as of the date of the event of default.

This debt was retired as of June 30, 2022.

5. Road Equipment – Tractor

On April 19, 2019, the Pulaski County Fiscal Court entered into a three-year agreement for the purchase of a tractor for the road department. The principal was \$87,964 at an interest rate of 4.19%. The agreement requires monthly payments of principal and interest.

An "event of default" will occur if lessee (a) fails to pay any payment when due and such failure continues for ten days after the due date for such payment or (b) fails to perform or observe any other covenant, condition, or agreement to be performed or observed by the lessee under this agreement and such failure is not cured within 20 days after written notice of such failure from the lessor. Upon an event of default, the lessor will have all rights and remedies available under applicable law. In addition, the lessor may declare all lease payments due or to become due during the fiscal year in which the event of default occurs to be immediately due and payable by the lessee and/or the lessor may repossess the units by giving the lessee written notice to deliver the units to the lessor in the manner provided in section 14, or in the event the lessee fails to do so within ten days after receipt of such notice, and subject to all applicable laws, the lessor may enter upon the premises and take possession of the units. Further, if the lessor financed obligations under any extended warranty agreement such as an equipment protection plan, extended service contract, extended warranty, customer service agreement, total maintenance and repair agreement or similar agreement, the lessor may cancel such extended warranty agreement on the lessee's behalf and receive the refund of the extended warranty agreement fees that were financed but not received as of the date of the event of default.

This debt was retired as of June 30, 2022.

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

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

6. Trucks

On September 14, 2020, the Pulaski County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust Program for the purchase of four trucks. The principal was \$568,623 at a rate of 4.22 percent interest for a period of 18 months. The agreement requires monthly payments of principal and interest.

Whenever any event of default has occurred and is continuing, the lessor may, without any further demand or notice, take one or any combination of the following remedial steps:

- (a) Terminate the lease term and give notice to the lessee to vacate or surrender the project within sixty days from the date of such notice;
- (b) By written notice to lessee, enter and take immediate possession of the project;
- (c) Recover from the lessee:
 - (i) The lease payments which would otherwise have been payable hereunder during any period in which the lessee continues to use, occupy or retain possession of the project; and
 - (ii) lease payments which would otherwise have been payable hereunder after the lessee vacates or surrenders the project during the remainder of the fiscal year in which such event of default occurs;
- (d) Sell or lease the project or sublease it for the account of lessee, holding lessee liable for all lease payments and other payments due during the remaining lease term to the extent that such selling, leasing or subleasing fails to provide amounts which are sufficient to pay the remaining lease payments when due, with any proceeds of the sale of the project being applied first to all past due lease payments and then to the portion of lease payment applicable to the principal component in inverse order of their due date; and
- (e) Exercise any other right, remedy or privilege which may be available to it under the applicable laws of the Commonwealth or any other applicable law, subject to the limitations contained in this lease with respect to the lessee's obligations upon the occurrence of an event of no appropriation; or proceed by appropriate court action to enforce the terms of this lease or to recover damages for the breach of this lease or to rescind this lease as to any or all of the project, including, but not limited to, any one or more remedial steps available to secured parties under Article 9 of the UCC and which are otherwise accorded to lessor by applicable law.

The lessee will remain liable for all covenants and obligations under this lease, and for all legal fees and other costs and expenses, including court costs awarded by a court of competent jurisdiction, incurred by the lessor with respect to the enforcement of any of the remedies under this lease, when a court of competent jurisdiction has finally adjudicated that an event of default has occurred.

This debt was retired as of June 30, 2022.

7. Road Equipment

On October 30, 2020, the Pulaski County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust Program for the purchase of road equipment. The principal was \$689,375 at a rate of 3.360 percent interest for a period of five years. The agreement requires monthly payments of principal and interest.

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

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

7. Road Equipment (Continued)

Whenever any event of default has occurred and is continuing, the lessor may, without any further demand or notice, take one or any combination of the following remedial steps:

- (a) By appropriate court action, enforce the pledge set forth in section 2 of the authorizing legislation and section 9 of the lease so that during the remaining lease term there is levied on all the taxable property in the lease, in addition to all other taxes, without limitation as to the rate or amount, a direct tax annually in an amount sufficient to pay the lease payments when and as due;
- (b) By written notice to lessee, enter and take immediate possession of the project;
- (c) Sell or lease the project or sublease it for the account of lessee, holding lessee liable for all lease payments and other payments due during the remaining lease term to the extent that such selling, leasing or subleasing fails to provide amounts which are sufficient to pay the remaining lease payments when due, with any proceeds of the sale of the project being applied first to all past due lease payments and then to the portion of lease payment applicable to the principal component in inverse order of their due date; and
- (d) Exercise any other right, remedy or privilege which may be available to it under the applicable laws of the Commonwealth or any other applicable law or proceed by appropriate court action to enforce the terms of this lease or to recover damages for the breach of this lease or to rescind this lease as to any or all of the project, including, but not limited to, any one or more remedial steps available to secured parties under Article 9 of the UCC and which are otherwise accorded to lessor by applicable law.

The lessee will remain liable for all covenants and obligations under this lease, and for all legal fees and other costs and expenses, including courts costs awarded by a court of competent jurisdiction, incurred by the lessor with respect to the enforcement of any of the remedies under this lease, when a court of competent jurisdiction has finally adjudicated that an event of default has occurred and enforced the remedies set forth in the lease.

The principal outstanding as of June 30, 2022, was \$482,785. Future principal and interest requirements are:

| Fiscal Year Ending June 30 | Principal | Scheduled Interest |
|-------------------------------|-------------------|-----------------------|
| 2023 | \$ 136,291 | \$ 13,004 |
| 2024 | 140,381 | 9,492 |
| 2025 | 144,593 | 4,711 |
| 2026 | 61,520 | 517 |
| Totals | <u>\$ 482,785</u> | <u>\$ 27,724</u> |

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

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

8. Trucks

On July 28, 2021, the Pulaski County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust Program for the purchase of four trucks. The principal was \$566,823 at a rate of 2.12 percent interest for a period of 18 months. The agreement requires monthly payments of principal and interest.

Whenever any event of default has occurred and is continuing, the lessor may, without any further demand or notice, take one or any combination of the following remedial steps:

- (a) Terminate the lease term and give notice to the lessee to vacate or surrender the project within sixty days from the date of such notice;
- (b) By written notice to lessee, enter and take immediate possession of the project;
- (c) Recover from the lessee:
 - (i) The lease payments which would otherwise have been payable hereunder during any period in which the lessee continues to use, occupy or retain possession of the project; and
 - (ii) lease payments which would otherwise have been payable hereunder after the lessee vacates or surrenders the project during the remainder of the fiscal year in which such event of default occurs;
- (d) Sell or lease the project or sublease it for the account of lessee; holding lessee liable for all lease payments and other payments due during the remaining lease term to the extent that such selling, leasing or subleasing fails to provide amount which are sufficient to pay the remaining lease payments when due, with any proceeds of the sale of the project being applied first to all past due lease payments and then to the portion of lease payment applicable to the principal component in inverse order of their due date; and exercise any other right, remedy or privilege which may be available to it under the applicable laws of the Commonwealth or any other applicable law, subject to the limitations contained in this lease with respect to the lessee's obligations upon the occurrence of any event of no appropriation; or proceed by appropriate court action to enforce the terms of this lease or to recover damages for the breach of this lease or to rescind this lease as to any or all of the project, including but not limited to, any one or more remedial steps available to secured parties under Article 9 of the UCC and which are otherwise accorded to lessor by applicable law.

The lessee will remain liable for all covenants and obligations under this lease, and for all legal fees and other costs and expenses, including court costs awarded by a court of competent jurisdiction incurred by the lessor with respect to the enforcement of any of the remedies under this lease, when a court of competent jurisdiction has finally adjudicated that an event of default has occurred.

The principal outstanding as of June 30, 2022, was \$566,823. Future principal and interest requirements are:

| Fiscal Year Ending June 30 | Principal | Scheduled Interest |
|-------------------------------|-------------------|-----------------------|
| 2023 | \$ 566,823 | \$ 8,663 |
| Totals | <u>\$ 566,823</u> | <u>\$ 8,663</u> |

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

Note 6. Long-term Debt (Continued)

B. Other Debt

1. First Mortgage Refunding Revenue Bonds – Series 2015

In July 2015, the Pulaski County Kentucky Public Properties Corporation issued \$8,655,000 in First Mortgage Refunding Revenue Bonds - Series 2015 for the purpose of partial advance refunding of the First Mortgage Revenue Bonds - Series 2008. Annual interest payments at a variable rate from 2 percent to 3.375 percent are due on June 30 of each year. Principal is due annually on June 30, beginning December 1, 2019. The bonds mature in 2029.

(1) Upon the happening and continuance of any event of default to protect and enforce its rights and the rights of the owners of the bonds by such of the following remedies, as the trustee, being advised by counsel, will deem most effectual to protect and enforce such rights:

- (a) 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. Provided, however, that no such foreclosure sale will result in a deficiency judgment of any type or in any amount against AOC, the county or the corporation, and until such sale the county may at any time by the discharge of the bonds and interest and any premium thereon receive an unencumbered fee simple title to the mortgaged facilities; provided that in the event of any such enforcement of said lien by the trustee, there will first be paid all expenses incident to said document, and thereafter the bonds then outstanding will be paid and retired;
- (b) By mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the owners of the bonds, including the right to require the corporation to enforce fully the lease and to charge, collect and fully account for the pledged receipts, and to require the corporation to carry out any and all other covenants or agreements with the bondholders and to perform its duties under the act;
- (c) By bringing suit upon the bonds;
- (d) By action or suit in equity, require the corporation to account as if it were the trustee of an express trust for the owners of the bonds;
- (e) By action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the owners of the bonds;
- (f) By declaring all bonds due and payable, and if all defaults will be made good, then, with the written consent of the owners of not less than 25% in a principal amount or the outstanding bonds, by annulling such declaration and its consequences; and
- (g) In the event that all bonds are declared due and payable, by selling investment obligations of the corporation to the extent not theretofore set aside for redemption of the bonds for which call has been made and enforcing all chooses in action of the corporation to the fullest legal extent in the name of the corporation for the use and benefit of the owners of the bonds.

(2) In the enforcement of any rights and remedies under the mortgage, the trustee shall be entitled to sue for, enforce payment on and receive any and all amounts then or during any default becoming, and at any time remaining, due from the corporation for principal, interest or otherwise, under any provision of the mortgage or of the bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in the bonds, together with any and all costs and expenses of collection and of all proceedings hereunder and under the bonds, without prejudice to any other right or remedy of the trustee or of the bondholders, and to recover and enforce a judgment or decree against the corporation for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect from any moneys available for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable.

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

Note 6. Long-term Debt (Continued)

B. Other Debt (Continued)

1. First Mortgage Refunding Revenue Bonds – Series 2015 (Continued)

The principal outstanding as of June 30, 2022, was \$7,340,000. Future principal and interest requirements are:

| <u>Fiscal Year Ending June 30</u> | <u>Principal</u> | <u>Scheduled Interest</u> |
|---------------------------------------|---------------------|-------------------------------|
| 2023 | \$ 960,000 | \$ 215,394 |
| 2024 | 980,000 | 190,494 |
| 2025 | 1,015,000 | 160,569 |
| 2026 | 1,045,000 | 128,362 |
| 2027 | 1,075,000 | 93,913 |
| 2028-2029 | <u>2,265,000</u> | <u>77,034</u> |
| Totals | <u>\$ 7,340,000</u> | <u>\$ 865,766</u> |

2. First Mortgage Refunding Revenue Bonds – Series 2017

In March 2017, the Pulaski County Kentucky, Public Properties Corporation issued \$5,868,011 in First Mortgage Refunding Revenue Bonds, Series 2017, for the purpose of partial advance refunding of the First Mortgage Revenue Bonds, Series 2009. Annual interest payments at a rate of 2.25 percent are due on December 1 and June 1 of each year. Principal is due annually on June 1.

The bonds mature in 2029. The principal outstanding as of June 30, 2022, was \$4,796,563. Future principal and interest requirements are:

| <u>Fiscal Year Ending June 30</u> | <u>Principal</u> | <u>Scheduled Interest</u> |
|---------------------------------------|---------------------|-------------------------------|
| 2023 | \$ 639,926 | \$ 100,723 |
| 2024 | 654,744 | 86,159 |
| 2025 | 668,116 | 71,276 |
| 2026 | 684,966 | 56,054 |
| 2027 | 700,307 | 40,470 |
| 2028-2029 | <u>1,448,504</u> | <u>32,706</u> |
| Totals | <u>\$ 4,796,563</u> | <u>\$ 387,388</u> |

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

Note 6. Long-term Debt (Continued)

B. Other Debt (Continued)

3. General Obligation Improvement Bonds – Series 2013A

In May 2013, the Pulaski County Fiscal Court issued \$2,135,000 in General Obligation Improvement Bonds, Series 2013A, for the construction of a new senior citizens center, Semiannual interest payments at a variable rate from 2.5 percent to 3.5 percent are due on December 1 and June 1 of each year. Principal is due annually on June 1, beginning June 1, 2021. The bonds constitute valid obligations of the Issuer in accordance with their terms, which unless paid from other sources, are payable from taxes to be levied by the Issuer without limitation as to rate and amount. The bonds mature in 2033. The principal outstanding as of June 30, 2022, was \$1,925,000. Future principal and interest requirements are:

| Fiscal Year Ending June 30 | Principal | Scheduled Interest |
|-------------------------------|---------------------|-----------------------|
| 2023 | \$ 150,000 | \$ 59,669 |
| 2024 | 155,000 | 55,919 |
| 2025 | 160,000 | 51,850 |
| 2026 | 165,000 | 47,650 |
| 2027 | 165,000 | 42,700 |
| 2028-2032 | 925,000 | 131,100 |
| 2033 | 205,000 | 7,175 |
| Totals | <u>\$ 1,925,000</u> | <u>\$ 396,063</u> |

4. General Obligation Bonds – Series 2016

In June 2016, the Pulaski County Fiscal Court issued \$5,000,000 in General Obligation Improvement Bonds, Series 2016, for the energy project for the courthouse. Semiannual interest payments at a variable rate from 2.5 percent to 3.5 percent are due on December 1 and June 1 of each year. Principal is due annually on December 1. The bonds mature in 2032. The bonds constitute valid obligations of the issuer in accordance with their terms, which unless paid from other sources, are payable from taxes to be levied by the Issuer without limitation as to rate and amount. The principal outstanding as of June 30, 2022, was \$3,565,000. Future principal and interest requirements are:

| Fiscal Year Ending June 30 | Principal | Scheduled Interest |
|-------------------------------|---------------------|-----------------------|
| 2023 | \$ 310,000 | \$ 90,075 |
| 2024 | 320,000 | 80,625 |
| 2025 | 335,000 | 70,800 |
| 2026 | 345,000 | 60,600 |
| 2027 | 355,000 | 50,100 |
| 2028-2032 | 1,900,000 | 118,963 |
| Totals | <u>\$ 3,565,000</u> | <u>\$ 471,163</u> |

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

Note 6. Long-term Debt (Continued)

B. Other Debt (Continued)

5. General Obligation Bonds – Series 2019

On October 8, 2019, the Pulaski County Fiscal Court issued \$5,025,000 in General Obligation Improvement Bonds, Series 2019, for infrastructure improvements and related costs. Semiannual interest payments at a variable rate from 2 percent to 5 percent are due on March 1 and September 1 of each year. Principal is due annually on September 1. The bonds mature in 2040. The bonds constitute valid obligations of the issuer in accordance with their terms, which unless paid from other sources, are payable from taxes to be levied by the issuer without limitation as to rate and amount. The principal outstanding as of June 30, 2022, was \$4,670,000. Future principal and interest requirements are:

| Fiscal Year Ending June 30 | Principal | Scheduled Interest |
|-------------------------------|---------------------|-----------------------|
| 2023 | \$ 190,000 | \$ 131,487 |
| 2024 | 200,000 | 121,738 |
| 2025 | 210,000 | 111,487 |
| 2026 | 225,000 | 100,613 |
| 2027 | 235,000 | 89,112 |
| 2028-2032 | 1,265,000 | 353,219 |
| 2033-2037 | 1,410,000 | 205,112 |
| 2038-2040 | 935,000 | 36,438 |
| Totals | <u>\$ 4,670,000</u> | <u>\$ 1,149,206</u> |

C. Aggregate Debt Schedule

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

| Fiscal Year Ended June 30 | Other Debt | | Direct Borrowings and Direct Placements | |
|------------------------------|----------------------|---------------------|--|-------------------|
| | Principal | Interest | Principal | Interest |
| 2023 | \$ 2,249,926 | \$ 597,348 | \$ 872,427 | \$ 55,347 |
| 2024 | 2,309,744 | 534,935 | 312,393 | 39,261 |
| 2025 | 2,388,116 | 465,982 | 319,359 | 30,414 |
| 2026 | 2,464,966 | 393,279 | 241,178 | 22,025 |
| 2027 | 2,530,307 | 316,295 | 185,441 | 17,066 |
| 2028-2032 | 7,803,504 | 713,022 | 219,167 | 50,959 |
| 2033-2037 | 1,615,000 | 212,287 | 79,167 | 5,671 |
| 2038-2040 | 935,000 | 36,438 | | |
| | <u>\$ 22,296,563</u> | <u>\$ 3,269,586</u> | <u>\$ 2,229,132</u> | <u>\$ 220,743</u> |

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

Note 6. Long-term Debt (Continued)

D. Changes In Long-term Debt

| | Beginning Balance (Restated) | Additions | Reductions | Ending Balance | Due Within One Year |
|--------------------------|------------------------------------|-------------------|---------------------|---------------------|------------------------|
| Direct Borrowings and | | | | | |
| Direct Placements * | \$ 2,931,757 | \$ 566,823 | \$1,269,448 | \$ 2,229,132 | \$ 872,427 |
| General Obligation Bonds | 10,740,000 | | 580,000 | 10,160,000 | 650,000 |
| Revenue Bonds | 13,700,424 | | 1,563,861 | 12,136,563 | 1,599,926 |
| Total Long-term Debt | <u>\$ 27,372,181</u> | <u>\$ 566,823</u> | <u>\$ 3,413,309</u> | <u>\$24,525,695</u> | <u>\$ 3,122,353</u> |

* Direct Borrowings and Direct Placements beginning balance was restated by \$12,778 for road equipment.

Note 7. Commitments and Contingencies

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

Note 8. Conduit Debt

From time to time the county has issued bonds to provide financial assistance to East Kentucky Power Cooperative, Inc. 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 Pulaski 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 9. 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 \$2,566,762, FY 2021 was \$2,683,180, and FY 2022 was \$3,767,511.

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

Note 9. Employee Retirement System (Continued)

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 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.

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 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. 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.

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

Note 9. Employee Retirement System (Continued)

Hazardous (Continued)

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 44.33 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 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.

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

Note 9. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

B. Health Insurance Coverage - Tier 2 and Tier 3 - Nonhazardous (Continued)

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. 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 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.

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

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

F. Death Benefit

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

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.

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

Note 9. Employee Retirement System (Continued)

Annual Financial Report and Proportionate Share Audit Report (Continued)

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 10. Deferred Compensation

The Pulaski 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 11. Insurance

For the fiscal year ended June 30, 2022, the Pulaski 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. Prior Period Adjustments

| | <u>General Fund</u> |
|--|----------------------------|
| Fund Balance - Beginning | \$ 5,920,986 |
| Remove: Prior Year Payroll Revolving Account Balance | <u>(277,695)</u> |
| Fund Balance - Beginning (Restated) | <u><u>\$ 5,643,291</u></u> |

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

Note 13. Capital Asset Schedule Material Adjustment

The Pulaski County Fiscal Court's schedule of capital assets beginning balances did not agree to the prior year audit report schedule of capital assets ending balances from June 30, 2021. The county's records showed a total beginning balance of \$257,972,141, however the total ending balance for the prior year audit fiscal year ending June 30, 2021 was \$276,972,696. This resulted in a material variance of \$19,000,555 and we adjusted the county's capital asset schedule to reflect the ending balance from the prior year audit.

Note 14. Jail Fund Deficit Balance

The Pulaski County Fiscal Court's Jail Fund had a deficit balance of (\$5,045) as of June 30, 2022. Failure to properly monitor the jail fund activity and available funds resulted in the deficit fund balance.

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PULASKI COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2022

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PULASKI 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 | \$ 12,565,000 | \$ 12,853,700 | \$ 16,132,384 | \$ 3,278,684 |
| In Lieu Tax Payments | 290,000 | 290,000 | 131,054 | (158,946) |
| Excess Fees | 550,000 | 1,656,000 | 1,656,919 | 919 |
| Licenses and Permits | 175,000 | 300,000 | 300,483 | 483 |
| Intergovernmental | 912,050 | 1,842,617 | 1,304,292 | (538,325) |
| Charges for Services | 286,000 | 346,000 | 463,751 | 117,751 |
| Miscellaneous | 217,500 | 254,200 | 295,841 | 41,641 |
| Interest | 2,000 | 3,400 | 5,822 | 2,422 |
| Total Receipts | 14,997,550 | 17,545,917 | 20,290,546 | 2,744,629 |
| DISBURSEMENTS | | | | |
| General Government | 7,070,493 | 8,526,865 | 8,052,207 | 474,658 |
| Protection to Persons and Property | 1,323,010 | 1,323,840 | 1,323,141 | 699 |
| General Health and Sanitation | 1,711,060 | 1,974,085 | 1,918,151 | 55,934 |
| Recreation and Culture | 322,232 | 587,727 | 571,355 | 16,372 |
| Airports | 75,000 | 75,000 | 18,750 | 56,250 |
| Debt Service | 1,028,972 | 1,028,972 | 1,028,839 | 133 |
| Capital Projects | 2,963,777 | 3,734,627 | 2,424,191 | 1,310,436 |
| Administration | 1,943,156 | 2,772,988 | 1,717,324 | 1,055,664 |
| Total Disbursements | 16,437,700 | 20,024,104 | 17,053,958 | 2,970,146 |
| Adjustments to Cash (Uses) | (1,440,150) | (2,478,187) | 3,236,588 | 5,714,775 |
| Other Adjustments to Cash (Uses) | | | | |
| Transfers From Other Funds | 1,100,000 | 1,100,000 | 1,084,137 | (15,863) |
| KACo Leasing Trust | 3,000,000 | 3,000,000 | | (3,000,000) |
| Transfers To Other Funds | (3,794,750) | (3,794,750) | (5,937,314) | (2,142,564) |
| Total Other Adjustments to Cash (Uses) | 305,250 | 305,250 | (4,853,177) | (5,158,427) |
| Net Change in Fund Balance | (1,134,900) | (2,172,937) | (1,616,589) | 556,348 |
| Fund Balance - Beginning (Restated) | 1,134,900 | 3,172,937 | 5,643,291 | 2,470,354 |
| Fund Balance - Ending | \$ 0 | \$ 1,000,000 | \$ 4,026,702 | \$ 3,026,702 |

PULASKI 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 | | | | |
| In Lieu Tax Payments | \$ 50,000 | \$ 50,000 | \$ 50,289 | \$ 289 |
| Intergovernmental | 3,326,151 | 4,642,651 | 3,832,591 | (810,060) |
| Miscellaneous | 65,000 | 128,790 | 200,465 | 71,675 |
| Interest | 6,000 | 6,000 | 3,977 | (2,023) |
| Total Receipts | <u>3,447,151</u> | <u>4,827,441</u> | <u>4,087,322</u> | <u>(740,119)</u> |
| DISBURSEMENTS | | | | |
| Roads | 3,999,457 | 6,309,227 | 6,201,063 | 108,164 |
| Debt Service | 174,964 | 1,156,892 | 1,095,496 | 61,396 |
| Capital Projects | 250,000 | 257,162 | 669,822 | (412,660) |
| Administration | 907,730 | 1,033,612 | 1,004,622 | 28,990 |
| Total Disbursements | <u>5,332,151</u> | <u>8,756,893</u> | <u>8,971,003</u> | <u>(214,110)</u> |
| Adjustments to Cash (Uses) | <u>(1,885,000)</u> | <u>(3,929,452)</u> | <u>(4,883,681)</u> | <u>(954,229)</u> |
| Other Adjustments to Cash (Uses) | | | | |
| Financing Obligation Proceeds | | | 566,823 | 566,823 |
| Transfers From Other Funds | <u>1,585,000</u> | <u>1,585,000</u> | <u>3,255,269</u> | <u>1,670,269</u> |
| Total Other Adjustments to Cash (Uses) | <u>1,585,000</u> | <u>1,585,000</u> | <u>3,822,092</u> | <u>2,237,092</u> |
| Net Change in Fund Balance | (300,000) | (2,344,452) | (1,061,589) | 1,282,863 |
| Fund Balance - Beginning | <u>300,000</u> | <u>1,394,452</u> | <u>1,405,702</u> | <u>11,250</u> |
| Fund Balance - Ending | <u>\$ 0</u> | <u>\$ (950,000)</u> | <u>\$ 344,113</u> | <u>\$ 1,294,113</u> |

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

| JAIL FUND | | | | |
|---|--------------------|--------------------|----------------------------------|--|
| | Budgeted Amounts | | Actual | Variance with |
| | Original | Final | Amounts, (Budgetary Basis) | Final Budget Positive (Negative) |
| RECEIPTS | | | | |
| Intergovernmental | \$ 3,404,581 | \$ 4,249,332 | \$ 2,967,388 | \$ (1,281,944) |
| Charges for Services | 195,895 | 195,895 | 41,814 | (154,081) |
| Miscellaneous | 134,370 | 293,975 | 151,239 | (142,736) |
| Interest | 1,500 | 1,500 | 657 | (843) |
| Total Receipts | <u>3,736,346</u> | <u>4,740,702</u> | <u>3,161,098</u> | <u>(1,579,604)</u> |
| DISBURSEMENTS | | | | |
| Protection to Persons and Property | 3,138,482 | 4,091,367 | 3,865,357 | 226,010 |
| Administration | 1,634,153 | 1,685,624 | 1,674,030 | 11,594 |
| Total Disbursements | <u>4,772,635</u> | <u>5,776,991</u> | <u>5,539,387</u> | <u>237,604</u> |
| Adjustments to Cash (Uses) | <u>(1,036,289)</u> | <u>(1,036,289)</u> | <u>(2,378,289)</u> | <u>(1,342,000)</u> |
| Other Adjustments to Cash (Uses) | | | | |
| Transfers From Other Funds | <u>806,250</u> | <u>806,250</u> | <u>2,187,762</u> | <u>1,381,512</u> |
| Total Other Adjustments to Cash (Uses) | <u>806,250</u> | <u>806,250</u> | <u>2,187,762</u> | <u>1,381,512</u> |
| Net Change in Fund Balance | (230,039) | (230,039) | (190,527) | 39,512 |
| Fund Balance - Beginning | <u>230,039</u> | <u>230,039</u> | <u>185,482</u> | <u>(44,557)</u> |
| Fund Balance - Ending | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ (5,045)</u> | <u>\$ (5,045)</u> |

PULASKI 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 | \$ 259,100 | \$ 354,100 | \$ 354,702 | \$ 602 |
| Interest | 250 | 250 | 541 | 291 |
| Total Receipts | 259,350 | 354,350 | 355,243 | 893 |
| DISBURSEMENTS | | | | |
| General Government | 10,000 | 20,000 | 20,000 | |
| Protection to Persons and Property | 5,950 | 5,950 | 5,950 | |
| Social Services | 77,350 | 92,350 | 86,868 | 5,482 |
| Recreation and Culture | 88,275 | 105,775 | 67,758 | 38,017 |
| Roads | 100,000 | 185,000 | 164,118 | 20,882 |
| Administration | 52,775 | 108,926 | | 108,926 |
| Total Disbursements | 334,350 | 518,001 | 344,694 | 173,307 |
| Adjustments to Cash (Uses) | (75,000) | (163,651) | 10,549 | 174,200 |
| Net Change in Fund Balance | (75,000) | (163,651) | 10,549 | 174,200 |
| Fund Balance - Beginning | 75,000 | 163,651 | 163,652 | 1 |
| Fund Balance - Ending | \$ 0 | \$ 0 | \$ 174,201 | \$ 174,201 |

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

| GRANT FUND | | | | |
|----------------------------|-------------------------|--------------|--|---|
| | Budgeted Amounts | | Actual Amounts, (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| RECEIPTS | | | | |
| Intergovernmental | \$ | \$ 76,046 | \$ 274,414 | \$ 198,368 |
| Total Receipts | | 76,046 | 274,414 | 198,368 |
| DISBURSEMENTS | | | | |
| Capital Projects | | 19,000 | 19,000 | |
| Administration | 200,000 | 380,675 | 5,000 | 375,675 |
| Total Disbursements | 200,000 | 399,675 | 24,000 | 375,675 |
| Adjustments to Cash (Uses) | (200,000) | (323,629) | 250,414 | 574,043 |
| Net Change in Fund Balance | (200,000) | (323,629) | 250,414 | 574,043 |
| Fund Balance - Beginning | 200,000 | 323,629 | 323,629 | |
| Fund Balance - Ending | \$ 0 | \$ 0 | \$ 574,043 | \$ 574,043 |

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

| | FIRE FUND | | | |
|---|------------------|--------------|----------------------------------|--|
| | Budgeted Amounts | | Actual | Variance with |
| | Original | Final | Amounts, (Budgetary Basis) | Final Budget Positive (Negative) |
| RECEIPTS | | | | |
| Taxes | \$ 3,950,000 | \$ 3,950,000 | \$ 4,228,281 | \$ 278,281 |
| Intergovernmental | | 94,220 | | (94,220) |
| Charges for Services | 25,000 | 40,993 | 40,994 | 1 |
| Miscellaneous | 78,000 | 1,693,056 | 1,697,783 | 4,727 |
| Interest | 5,000 | 5,000 | 7,108 | 2,108 |
| Total Receipts | 4,058,000 | 5,783,269 | 5,974,166 | 190,897 |
| DISBURSEMENTS | | | | |
| Protection to Persons and Property | 2,548,382 | 3,614,957 | 3,366,610 | 248,347 |
| Debt Service | 78,300 | 78,300 | 53,071 | 25,229 |
| Capital Projects | 360,000 | 359,895 | 212,366 | 147,529 |
| Administration | 436,318 | 2,179,438 | 211,783 | 1,967,655 |
| Total Disbursements | 3,423,000 | 6,232,590 | 3,843,830 | 2,388,760 |
| Adjustments to Cash (Uses) | 635,000 | (449,321) | 2,130,336 | 2,579,657 |
| Other Adjustments to Cash (Uses) | | | | |
| Transfers From Other Funds | | | 94,220 | 94,220 |
| Transfers To Other Funds | (1,260,000) | (1,260,000) | (500,000) | 760,000 |
| Total Other Adjustments to Cash (Uses) | (1,260,000) | (1,260,000) | (405,780) | 854,220 |
| Net Change in Fund Balance | (625,000) | (1,709,321) | 1,724,556 | 3,433,877 |
| Fund Balance - Beginning | 625,000 | 1,709,321 | 1,709,322 | 1 |
| Fund Balance - Ending | \$ 0 | \$ 0 | \$ 3,433,878 | \$ 3,433,878 |

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

| | 911 FUND | | | |
|---|------------------|-------------|--|---|
| | Budgeted Amounts | | Actual Amounts, (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| RECEIPTS | | | | |
| Intergovernmental | \$ 489,500 | \$ 773,330 | \$ 321,507 | \$ (451,823) |
| Interest | 1,000 | 1,000 | 714 | (286) |
| Total Receipts | 490,500 | 774,330 | 322,221 | (452,109) |
| DISBURSEMENTS | | | | |
| Protection to Persons and Property | 1,532,264 | 1,993,004 | 1,835,012 | 157,992 |
| Debt Service | 57,410 | 57,410 | 57,241 | 169 |
| Capital Projects | | 50,000 | 49,561 | 439 |
| Administration | 664,326 | 783,781 | 707,883 | 75,898 |
| Total Disbursements | 2,254,000 | 2,884,195 | 2,649,697 | 234,498 |
| Adjustments to Cash (Uses) | (1,763,500) | (2,109,865) | (2,327,476) | (217,611) |
| Other Adjustments to Cash (Uses) | | | | |
| Transfers From Other Funds | 1,563,500 | 1,563,500 | 1,973,555 | 410,055 |
| Total Other Adjustments to Cash (Uses) | 1,563,500 | 1,563,500 | 1,973,555 | 410,055 |
| Net Change in Fund Balance | (200,000) | (546,365) | (353,921) | 192,444 |
| Fund Balance - Beginning | 200,000 | 496,365 | 496,394 | 29 |
| Fund Balance - Ending | \$ 0 | \$ (50,000) | \$ 142,473 | \$ 192,473 |

**PULASKI 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 Appropriations

The road fund, capital projects line-item, exceeded budgeted appropriations by \$412,660.

PULASKI COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2022

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**PULASKI COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For The Year Ended June 30, 2022

| Federal Grantor/Pass-Through Grantor/ Program or Cluster Title | Federal Assistance Listing Number | Pass-Through Entity's Identifying Number | Provided to Subrecipient | Total Federal Expenditures |
|---|---|---|-----------------------------|----------------------------------|
| <u>U. S. Department of the Treasury</u> | | | | |
| <i>Passed-Through Kentucky Department for Local Government</i> | | | | |
| COVID-19 - Coronavirus State and Local Fiscal Recovery Funds | 21.027 | | \$ | \$ 6,654,631 |
| Total U.S. Department of the Treasury | | | | <u>6,654,631</u> |
| <u>U. S. Department of Housing and Urban Development</u> | | | | |
| <i>Passed-Through Kentucky Department for Local Government</i> | | | | |
| CDBG/State's Program - Multi-Unit Senior Housing Project | 14.228 | 19-052 | | \$ 19,000 |
| Total U.S. Department of Housing and Urban Development | | | | <u>19,000</u> |
| Total Expenditures of Federal Awards | | | \$ 0 | <u>\$ 6,673,631</u> |

PULASKI COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2022

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Pulaski County, Kentucky under programs of the federal government for the year ended June 30, 2022. 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 Pulaski County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Pulaski 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

Pulaski 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.

PULASKI COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2022

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PULASKI 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 and Land Improvements | \$ 7,505,968 | \$ 111,479 | \$ | \$ 7,617,447 |
| Construction In Progress | 4,555,810 | | 454,468 | 4,101,342 |
| Buildings and Improvements | 38,513,488 | 638,313 | | 39,151,801 |
| Other Equipment | 10,246,071 | 374,563 | | 10,620,634 |
| Vehicles and Equipment | 18,548,310 | 2,492,029 | 285,944 | 20,754,395 |
| Infrastructure | 197,603,050 | 1,756,749 | | 199,359,799 |
| Total Capital Assets | <u>\$276,972,697</u> | <u>\$ 5,373,133</u> | <u>\$ 740,412</u> | <u>\$281,605,418</u> |

PULASKI 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 | \$ 25,000 | 10-60 |
| Buildings and Building Improvements | \$ 50,000 | 10-75 |
| Other Equipment | \$ 5,000 | 3-25 |
| Vehicles and Equipment | \$ 5,000 | 3-25 |
| Infrastructure | \$ 25,000 | 10-50 |

Note 2. Beginning Balances Restated

The beginning capital asset balances were materially misstated due to the fiscal court not updating the schedule with adjustments from the prior year. The beginning balances were misstated by \$19,000,555.

**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 Steve Kelley, Former Pulaski County Judge/Executive
The Honorable Marshall Todd, Pulaski County Judge/Executive
Members of the Pulaski 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 Pulaski County Fiscal Court for the fiscal year ended June 30, 2022, and the related notes to the financial statement which collectively comprise the Pulaski County Fiscal Court's financial statement and have issued our report thereon dated September 20, 2023.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses 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 deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2022-001, 2022-002, 2022-003, 2022-004, 2022-005, 2022-006, and 2022-007 to be material weaknesses.



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 Questioned Costs as items 2022-008, 2022-009, and 2022-010 to be significant deficiencies.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Pulaski 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2022-003, 2022-004, 2022-005, 2022-006, 2022-007, 2022-011, 2022-012, and 2022-013.

Views of Responsible Official and Planned Corrective Action

Pulaski 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

September 20, 2023

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

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

Independent Auditor's Report

The Honorable Marshall Todd, Pulaski County Judge/Executive
The Honorable Steve Kelley, Former Pulaski County Judge/Executive
Members of the Pulaski County Fiscal Court

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Pulaski County Fiscal Court's compliance with the types of compliance requirements identified as subject to audit in the *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Pulaski County Fiscal Court's major federal programs for the year ended June 30, 2022. The Pulaski 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.

In our opinion, Pulaski County Fiscal Court complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance 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 (*Government Auditing Standards*); and the audit 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Pulaski County Fiscal Court and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Pulaski County Fiscal Court's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Pulaski County Fiscal Court's federal programs.

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Pulaski County Fiscal Court's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Pulaski County Fiscal Court's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Pulaski County Fiscal Court's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Pulaski County Fiscal Court's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Pulaski County Fiscal Court's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

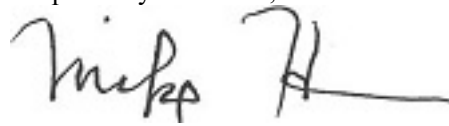
Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With The Uniform Guidance
(Continued)

Report on Internal Control Over Compliance (Continued)

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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,

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Mike Harmon
Auditor of Public Accounts
Frankfort, Ky

September 20, 2023

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PULASKI COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2022

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PULASKI COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2022

Section I: Summary of Auditor's Results

Financial Statement

Type of report the auditor issued on whether the financial statement was prepared in accordance with GAAP:
Adverse on GAAP and Unmodified on Regulatory Basis

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

Identification of major programs:

| | |
|--|---|
| <u>Assistance Listing Number</u> 21.027 | <u>Name of Federal Program or Cluster</u> COVID-19 - Coronavirus State and Local Fiscal Recovery Funds |
|--|---|

| | |
|--|---|
| 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 |

PULASKI COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022
(Continued)

Section II: Financial Statement Findings

2022-001 The Pulaski County Fiscal Court Lacks Adequate Segregation Of Duties Over Cash, Receipts, And Reconciliations

This is a repeat finding and was included in the prior year audit report as finding 2021-001. The Pulaski County Fiscal Court lacks adequate segregation of duties over cash, receipts, and reconciliations. The county treasurer records receipts, prepares deposits, and reconciles the bank accounts. The fiscal court has implemented some compensating controls such as, the county judge/executive or deputy judge review the bank reconciliations. However, these controls are insufficient to reduce the risk of material misstatement.

According to the county treasurer and county judge/executive, they thought they had sufficient controls in place to reduce the risk of material misstatement. The lack of segregation of duties increases the risk of misappropriation of assets, errors, and inaccurate financial reporting.

Adequate segregation of duties would prevent the same person from having a significant role in these incompatible functions. In addition, proper segregation of duties protects employees in the normal course of performing their daily responsibilities. If segregation of duties is not feasible due to limited staff or budget, the implementation of compensating controls can reduce the risk that a misstatement could occur and go undetected.

We recommend the fiscal court separate duties over cash, receipts, and reconciliations. If these duties cannot be separated due to limited staff or limited budget, then strong oversight over those areas should occur by an employee not currently performing any of those functions. The individual providing this oversight should initial source documents as evidence of review.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: PCFC added an additional person to the finance office. The Finance Officer will receive all monies and log receipts. This will be verified by another person in the office. Another person deposits all monies.

2022-002 The Pulaski County Fiscal Court Lacks Adequate Controls Over Occupational Tax Receipts

This is a repeat finding and was included in prior year audit report as finding 2021-002. The Pulaski County Fiscal Court lacks adequate controls and segregation of duties over occupational tax collections. The occupational tax employees have the ability to change amounts collected in the software program, the ability to waive interest and penalty without approval, and failed to compare actual tax returns to the amount posted. This has caused a material deficiency.

Due to the lack of oversight, this deficiency was allowed to occur. The lack of controls could result in fraud, misappropriations, and material misstatements. Good and effective internal control procedures would dictate confirmation of all reports of cash receipts.

We recommend the fiscal court contact the computer software company to remove the ability to change amount collected and the ability to remove penalty and interest charged to taxpayers. We also recommend the fiscal court segregate duties and when that is not possible implement necessary compensating internal controls over receipts such as comparison of report to amount deposited and amount posted. The review should be documented by signature or initials.

PULASKI COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022
(Continued)

Section II: Financial Statement Findings (Continued)

2022-002 The Pulaski County Fiscal Court Lacks Adequate Controls Over Occupational Tax Receipts
 (Continued)

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The software company will limit editing privileges to the program administrator. The finance officer will verify the data and make deposits.

2022-003 The Pulaski County Fiscal Court's Budget Was Not Prepared Or Reviewed Properly

This is a repeat finding and was included in the prior year audit report as finding 2021-003. The Pulaski County Fiscal Court did not prepare or review the budget properly and the following occurred:

- Several line-item accounts exceed the budgeted amounts on the fourth quarter report.
- Road fund expenditures exceed total budgeted amounts by \$214,110.
- Road fund new debt totaling \$566,803 was not budgeted.
- Budget amendments on the fourth quarter financial report were not reported correctly.
- American Relief Plan fund included a budgeted amount that was not listed on the original budget or documented in a budget amendment. This amount totaled \$4,497,003.

This was allowed to occur due to no review of the quarterly budget. The county treasurer adjusted the disbursements budget amendment column for intra-fund transfers, therefore, the budget amendment on the quarterly includes some intra-fund transfers resulting in a net amount on the quarterly. In addition, the American Relief Plan fund documented on the fourth quarterly financial report had a budgeted amount however, this fund was not included in the original budget or included in any approved budget amendments. As a result of not reviewing the budget to actual expenditures, the road and American Relief Plan funds exceeded the total budgeted amounts.

KRS 68.240(1) states, in part, "[t]he county judge/executive shall annually prepare a proposed budget for the expenditure of all funds, including those from state and federal sources, which are to be expended by the fiscal court in the next fiscal year[.]"

In addition, the *County Budget Preparation and State Local Officer Policy Manual* issued by the Department for Local Government (DLG) states, "[i]t is necessary to amend the budget to reflect the receipt and expenditure of funds received through a state or federal grant if that grant was not part of the original budget document. An amendment of this nature should be made immediately upon receipt of those funds."

KRS 68.300 states, "[a]ny appropriation made or claim allowed by the fiscal court in excess of any budget fund, and any warrant or contract not within the budget appropriation, shall be void. No member of the fiscal court shall vote for any such illegal appropriation or claim. The county treasurer shall be liable on his official bond for the amount of any county warrant willfully or negligently signed or countersigned by him in excess of the budget fund out of which the warrant is payable."

PULASKI COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022
(Continued)

Section II: Financial Statement Findings (Continued)

2022-003 The Pulaski County Fiscal Court Budget Was Not Prepared Or Reviewed Properly (Continued)

We recommend the Pulaski County Fiscal Court ensure all line items, as well as all funds are properly budgeted. The budget should be reviewed periodically by management and department heads, and always before a purchase order is approved and the expenditure is completed. Budget transfers or budget amendments should be prepared and reported properly on the fourth quarterly report.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Pulaski County Fiscal Court will ensure that all line items and funds are properly budgeted. The budget will be reviewed monthly by management and department heads and be sure a P.O. is issued or expenditure is paid. All transfers or amendments will be prepared and reported properly on all quarterly reports.

2022-004 The Jail Fund Has A Deficit Fund Balance Of (\$5,045)

As of June 30, 2022, the jail fund had a deficit fund balance of (\$5,045). The jail fund was not properly monitored for available funds. Failure to properly monitor the jail fund activity and available funds resulted in the deficit fund balance. The deficit fund balance of the jail fund as of June 30, 2022 was (\$5,045).

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The uniform system of accounts is set forth in the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual*.

We recommend the jail fund deficit be properly remedied.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: To resolve this issue increased emphasis will be placed on appropriate communication between the treasurer and the jailer/office manager via updated monthly general ledgers.

2022-005 The Pulaski County Fiscal Court Did Not Correctly Record Interfund Transfers

This is a repeat finding and was included in the prior year audit report as finding 2021-004. There was no evidence of fiscal court approval in the fiscal court order book for one of the interfund transfers for the audit period. Also, the fiscal court failed to document transfer funds regarding ARPA premium pay between the ARPA, general, road, jail, 911, and fire funds. Premium pay paid from the ARPA fund totaled \$2,157,629 and was broken down as follows:

- General fund received \$584,137
- Road fund received \$520,269
- Jail fund received \$683,073
- 911 fund received \$275,930
- Fire fund received \$94,220

PULASKI COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022
(Continued)

Section II: Financial Statement Findings (Continued)

2022-005 The Pulaski County Fiscal Court Did Not Correctly Record Interfund Transfers (Continued)

This deficiency was due to the lack of oversight and internal controls over accounting functions. Without proper oversight and approval from fiscal court, misappropriation and fraud could occur and go undetected. When cash transfers are made without approval of fiscal court, funds can be moved between funds to cover expenditures without the knowledge of fiscal court. Interfund transfers should be from one fund to another fund and should always balance.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* states, “[a]ll transfers require a court order.”

We recommend all cash transfers between funds be approved by the fiscal court and approved prior to the transfer being made.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive’s Response: All cash fund transfers between funds will be approved by fiscal court prior to the transfer being made.

2022-006 The Pulaski County Fiscal Court Did Not Have Strong Internal Controls Over Disbursements

This is a repeat finding and was included in the prior year audit report as finding 2021-005. Internal controls over disbursements were not operating as intended during fiscal year 2022. The following exceptions were noted:

- Six invoices were paid late.
- Two disbursements tested did not have supporting documentation, which totaled \$335,032.
- Four invoices were recorded in the wrong line items, which totaled \$561,183.
- One invoice was not detailed; this disbursement totaled \$18,100.
- Fourteen invoices for the construction of a new coroner’s office were posted to the wrong line item to courthouse renovations; these invoices totaled \$187,447.
- Fourteen invoices tested included purchase orders dated after original invoice dates.
- One late payment documented during debt testing which resulted in \$1,294 in late charges.
- One invoice paid for new debt issued by the county was not recorded on the quarterly report; this invoice totaled \$566,823.

These deficiencies were allowed to occur due to lack of oversight and proper review of supporting documentation. Due to lack of controls over disbursements, the county could incur additional interest and penalties on late payments, incur expenses the county is not obligated for, and exceed available line-item budgets.

Proper internal controls over disbursements are important to ensure invoices are paid within 30 days, to ensure payments are posted correctly, and claims presented to fiscal court include proper supporting documentation.

KRS 68.275 requires the county judge/executive to present all claims to the fiscal court for review prior to payment unless the expenses are included on a standing order adopted by the fiscal court to preapprove the payment of certain claims such as monthly payroll and utility expenses. Furthermore, KRS 65.140 requires invoices to be paid within 30 working days of being received.

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

Section II: Financial Statement Findings (Continued)

2022-006 The Pulaski County Fiscal Court Did Not Have Strong Internal Controls Over Disbursements
 (Continued)

We recommend fiscal court implement proper internal controls over disbursements and ensure they are operating effectively.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: New procedures will be implemented to ensure that the purchase order process is initiated prior to purchases being made and invoices are returned in a timely fashion for approval by fiscal court.

2022-007 The Pulaski County Fiscal Court Did Not Properly Disclose Debt Information On The Quarterly Financial Report

This is a repeat finding and was included in the prior year audit report as finding 2021-006. The fiscal court did not properly disclose required debt information in the liabilities section of the quarterly financial report submitted to the state local finance officer. Four debt obligations were omitted from the quarterly and two debt obligations were reported incorrectly.

This was allowed to occur due to no review of the quarterly and the debt balances were not reconciled to the amortization schedules. By omitting the liabilities of the fiscal court or recording incorrect amounts, the state local finance officer did not have the accurate position of the fiscal court. As a result, the quarterly materially understated principal debt obligations by \$12,050,916 and interest by \$1,178,798.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The uniform system of accounts is set forth in the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* which requires the liabilities section of the quarterly financial report to be utilized for reporting all current long-term debt.

We recommend the fiscal court properly disclosure all debt on the liability section of the quarterly financial reports.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: New accounting procedures ensure that all debt has been properly listed on quarterly reports.

2022-008 The Pulaski County Fiscal Court Did Not Maintain Proper Records For The Public Properties Corporation Fund And General Obligation Bond Funds

This is a repeat finding and was included in the prior year audit report as finding 2021-007. The Pulaski County Fiscal Court is financially accountable and legally obligated for the debt of the public properties corporation (PPC) and the general obligation bond funds. The fiscal court did not maintain receipt and disbursement ledgers, did not prepare monthly bank reconciliations, and did not prepare financial statements for the PPC and the general obligation bond funds.

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

Section II: Financial Statement Findings (Continued)

2022-008 The Pulaski County Fiscal Court Did Not Maintain Proper Records For The Public Properties Corporation Fund And General Obligation Bond Funds (Continued)

The county treasurer stated she did not maintain the records because they do not go on her quarterly financial report. As a result of not maintaining proper records, the county was unaware if funds were used properly which could lead to the financial statement being materially inaccurate.

Furthermore, adjustments to include financial activity within the PPC fund were required. In total, \$1,920,851 of PPC fund receipts and \$1,916,587 of PPC disbursements had to be adjusted to document PPC fund financial activity for fiscal year ended June 30, 2022. Adjustments to prior year surplus in the general fund for \$2,470,352 were also required for general obligation bond funds not included on the quarterly report.

Good internal controls dictate that adequate reporting be maintained for all receipts and disbursements and book and bank balances be reconciled monthly in order to ensure proper accounting and accurate fund balances. KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* states the following minimum requirements for handling public funds "Monthly bank reconciliation" and "Books of original entry for receipts and expenditures..."

We recommend the fiscal court prepare and maintain ledgers for receipts and disbursements of the PPC and general obligation bond funds. We also recommend monthly bank reconciliations be prepared for all funds. In addition, fiscal court should prepare end of the year financial statements for funds in order to ensure compliance with DLG requirements.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Fiscal court will prepare and maintain ledgers for receipts and disbursements of the PPC and general obligation bond funds. Monthly bank reconciliations will be prepared for all funds. Additionally, fiscal court will prepare year end financial statements for the funds to ensure compliance with DLG requirements.

2022-009 The Pulaski County Detention Center Did Not Prepare Daily Check-Out Sheets For All Revenue Received

This is a repeat finding and was included in the prior year audit report as finding 2021-008. Daily checkout sheets were not prepared for the Pulaski County Detention Center Commissary account.

The Pulaski County Jailer was not aware all receipts should be documented and accounted for on a daily checkout sheet. Without accurate daily check-out sheets, undeposited receipts and fraud could occur and not be detected.

The Department for Local Government (DLG) was given the authority by KRS 68.210 to prescribe a uniform system of accounts. The minimum requirements for handling public funds in *County Budget Preparation and State Local Finance Officer Policy Manual* states, "Daily deposits intact into a federally insured banking institution." It also states for jail commissaries that, "Daily deposits are required. At the end of each business day the Jailer or assigned personnel should separate individual receipts into categories listed on the check-out sheet." Additionally, the practice of making daily deposits reduces the risk of misappropriation of cash, which is the asset most susceptible to possible theft.

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

Section II: Financial Statement Findings (Continued)

2022-009 The Pulaski County Detention Center Did Not Prepare Daily Check-Out Sheets For All Revenue Received (Continued)

We recommend the jailer complete daily checkout sheets for all monies received in both the commissary and inmate accounts.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's and Jailer's Response: The Jailer has initiated, and is monitoring, daily checkout sheets for all monies received in commissary and inmate accounts. These documents are reviewed in house by the office manager/Jailer/designee.

2022-010 The Pulaski County Detention Center Did Not Have Strong Internal Controls Over Disbursements

This is a repeat finding that was included in the prior year audit report as finding 2021-009. The Pulaski County Detention Center did not have strong internal controls over disbursements. Supporting documentation was not maintained and appropriate and proper procedures were not followed for exceptions noted during testing.

Internal controls were not strong enough to eliminate the deficiencies in recording disbursements. During our testing of twenty-seven disbursements from the jail commissary account, inmate fund disbursements, and credit card transactions, we noted the following deficiencies:

- Four disbursements were not paid within 30 days.
- One disbursement was not supported by a detailed invoice.
- One credit card charge was not properly supported with a receipt of payment.

Proper internal controls over disbursements are important to ensure invoices are paid timely, correctly, and have adequate supporting documentation. In addition, KRS 65.140 requires invoices to be paid within 30 working days of being received.

We recommend the jailer implement good internal controls over disbursements by ensuring all purchases have an invoice, paying invoices within 30 working days of invoice received date, and obtaining supporting documentation for all credit card charges.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's and Jailer's Response: The Jailer is implementing stronger internal controls to eliminate these deficiencies making sure invoices are accounted for and paid within the prescribed time. This coincides with personnel changes in the business office of the Jail.

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

Section II: Financial Statement Findings (Continued)

2022-011 The Pulaski County Fiscal Court Did Not Follow Proper Procurement Procedures For Purchases Over \$20,000

This is a repeat finding and was included in the prior year audit report as finding 2021-011. The Pulaski County Fiscal Court did not advertise for bids on all expenditures exceeding \$20,000. The fiscal court paid for the following items during fiscal year ending June 30, 2022:

- The fiscal court paid \$22,964 for bath house plumbing at a park.
- The fiscal court paid \$59,090 for a general contractor for the construction of the coroner's office.
- The fiscal court paid \$21,780 for equipment rental for the construction of the coroner's office.
- The fiscal court paid \$27,001 for building supplies for the construction of the coroner's office.

The items related to the park and coroner's office were not advertised for bids by the fiscal court. In addition, the fiscal court did not properly accept bids for goods and services. The fiscal court did not document which bidders were selected and approved. The fiscal court voted on June 22, 2021 to approve all 2021-2022 bids.

The fiscal court was not aware the items listed above should have been advertised for bid. As a result, the fiscal court was not in compliance with procurement laws or their administrative code. In addition, the county may not have received the best value for services or products provided.

Pulaski County formally adopted the Commonwealth Model Procurement Code (KRS 45A.343). In addition, the Pulaski County Fiscal Court Administrative Code states, "Any expenditure or contract for materials, supplies (except perishable meat, fish and vegetables), equipment, or for contractual services other than professional, involving an expenditure of more than twenty thousand dollars (\$20,000) shall be subject to competitive bidding. The County Judge shall open all bids publicly at the time and place stated in the advertisements and shall select the lowest and/or best bid by qualified bidder. If the lowest bid is not selected, the reasons for the selection shall be stated in writing."

We recommend the fiscal court monitor disbursements to ensure procurement procedures are followed properly for all purchases and contracts in the future.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Department managers have been trained by finance personnel on correct purchasing procedures related to Model Procurement. Pulaski Fiscal Court has adopted a Model Procurement limit of \$30,000.

2022-012 The Pulaski County Fiscal Court Did Not Properly Budget And Include All Debt Activity In The Financial Statement

The Pulaski County Fiscal Court's Fourth Quarter Financial Report did not include financing proceeds and the disbursement for the purchase of four road trucks in the amount of \$566,823.

The fiscal court failed to report the financial activity related to this purchase due to the financing proceeds being paid directly to the vendor from the financial institution. Since these transactions did not run through the fiscal court's bank accounts, they were not included in the fiscal court's budget process or reflected on the fiscal court's financial report. The fiscal court was not aware the proceeds needed to be reported. Failure to include all debt activity on the financial statement caused the financial statement to be understated by \$566,823.

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

Section II: Financial Statement Findings (Continued)

2022-012 The Pulaski County Fiscal Court Did Not Properly Budget And Include All Debt Activity In The Financial Statement (Continued)

After the financial statement was adjusted to properly account for the debt, the county's budget to actual statement presented as supplementary information accompanying the financial statement shows the capital project line in the road fund to be overbudget by \$412,660.

The Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual* provides requirements and guidance for county government's preparation and presentation of the financial statement and budget. Page 48 of the manual states, "[a]ll borrowed money received and repaid must be reflected in the county budget," page 72 of the manual states, "[a]ll county money is to be reported on the financial statement whether it is included in the budget or not," and page 74 of the manual states, "[a]ny borrowed money that is not reflected in the original budget estimate must be **amended** into the budget and be properly reflected on the financial report as a receipt as well as an "expenditure" for repayment of borrowed funds."

We recommend the Pulaski County Fiscal Court present all financial activity in the county's financial statement as required by the regulatory basis of accounting. In addition to complying with the Department for Local Government's financial statement presentation requirements, this will also ensure all line items are properly budgeted or amended as needed.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: This was an oversight which will be remedied by ensuring the DLG financial statement presentation requirements are followed.

2022-013 The Pulaski County Fiscal Court Capital Asset Listing Had Material Misstatements

The Pulaski County Fiscal Court's schedule of capital assets beginning balances did not agree to the prior year audit report schedule of capital assets ending balances from June 30, 2021 by \$19,000,555. This was due to not comparing the schedule from fiscal year 2021 to the current year fiscal year ending June 30, 2022 prior to presenting to the auditors. Management agreed to make the corrections to the schedule.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The uniform system of accounts is set forth in the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual* which states, "[f]ixed asset records are necessary for proper asset valuation, adequate and accurate insurance coverage, internal control, and long range planning for property replacement." The manual further states that an "annual physical inventory of property and equipment shall be conducted on or before June 30. Physical counts must be compared to the master asset inventory listing. Resulting differences must be reconciled, explained and documented." We recommend the fiscal court review this schedule for accuracy each year to ensure information is presented correctly and to comply with the Department for Local Government requirements.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Since we now have additional personnel in the finance department the duty to review correctness of information will be assigned to a specific persons. Material mistakes will be remedied on future documents.

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

Section III: Federal Award Findings And Questioned Costs

None.

Section IV: Summary Schedule of Prior Audit Findings

| Finding Number | Prior Year Finding Title | Status | Corrective Action |
|----------------|--|------------|---|
| 2021-001 | The Pulaski County Fiscal Court Lacks Adequate Segregation Of Duties Over Cash, Receipts, and Reconciliations | Unresolved | See corrective action for current year finding 2022-001 |
| 2021-002 | Pulaski County Fiscal Court Lacks Adequate Controls Over Occupational Tax Receipts | Unresolved | See corrective action for current year finding 2022-002 |
| 2021-003 | Pulaski County Fiscal Court's Budget Was Not Prepared Or Reviewed As Required | Unresolved | See corrective action for current year finding 2022-003 |
| 2021-004 | Pulaski County Fiscal Court Did Not Correctly Record Interfund Transfers | Unresolved | See corrective action for current year finding 2022-005 |
| 2021-005 | Pulaski County Fiscal Court Did Not Have Strong Internal Controls Over Disbursements | Unresolved | See corrective action for current year finding 2022-006 |
| 2021-006 | Debt Information Was Not Properly Disclosed On The Quarterly Financial Report | Unresolved | See corrective action for current year finding 2022-007 |
| 2021-007 | Pulaski County Fiscal Court Did Not Maintain Proper Records For The Public Properties Corporation Fund And General Obligation Bond Funds | Unresolved | See corrective action for current year finding 2022-008 |
| 2021-008 | The Jailer Did Not Prepare Daily Checkout Sheets For All Revenue Received For The Inmate Account | Unresolved | See corrective action for current year finding 2022-009 |
| 2021-009 | The Jailer Lacked Adequate Internal Controls Over Disbursements In The Jail Commissary Fund | Unresolved | See corrective action for current year finding 2022-010 |
| 2021-010 | Pulaski County Fiscal Court Did Not Issue Purchase Orders On All Disbursements As Required | Resolved | |
| 2021-011 | Pulaski County Fiscal Court Did Not Follow Proper Procurement Procedures For Purchases Over \$20,000 | Unresolved | See corrective action for current year finding 2022-011 |

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

PULASKI COUNTY FISCAL COURT

For The Year Ended June 30, 2022

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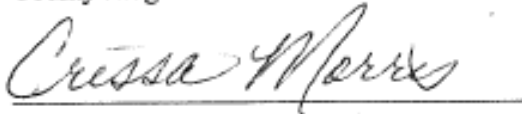
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
PULASKI COUNTY FISCAL COURT

For The Year Ended June 30, 2022

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

A handwritten signature in cursive script, appearing to read "Mark L. ...", is written over a horizontal line.

County Judge/Executive

A handwritten signature in cursive script, appearing to read "Cressa Morris", is written over a horizontal line.

County Treasurer