

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

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



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
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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 Valerie Grigson, Robertson County Judge/Executive

The Honorable Stephanie Holbrook, Former Robertson County Judge/Executive

Members of the Robertson 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 Robertson County Fiscal Court, for the year ended June 30, 2022, and the related notes to the financial statement, which collectively comprise the Robertson 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 Robertson 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 Robertson 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 Robertson 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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Holly M. Johnson, Secretary

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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 Robertson 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

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

To the People of Kentucky
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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 Robertson County Fiscal Court. The Budgetary Comparison Schedules are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

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

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2023, on our consideration of the Robertson 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 Robertson County Fiscal Court's internal control over financial reporting and compliance.

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

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

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

- 2022-001 The General Fund Owes The Road Fund \$53,150 From Prior Years
- 2022-002 Five Disbursements Totaling \$167,053 Were Made And Not Presented To The Fiscal Court Prior To Payment
- 2022-003 The Robertson County Fiscal Court Had Disbursements In Excess Of Budgeted Line Items Resulting In A Deficit
- 2022-004 The Robertson County Fiscal Court Does Not Reconcile The Payroll Revolving Account To A Set Amount Each Month Resulting In A Deficit

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

February 28, 2023

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

Stephanie Holbrook	County Judge/Executive
Rick Earlywine	Magistrate
Terry Cracraft	Magistrate
Larry Jones	Magistrate
Troy Martin	Magistrate
Billy Stitt	Magistrate

Other Elected Officials:

Jesse Melcher	County Attorney
Tim Wright	Jailer
Joanie Jolly	County Clerk
Tabitha Tilton	Circuit Court Clerk
Terry Gray	Sheriff
Annette Lovins	Property Valuation Administrator
Dusty Thompson	Coroner

Appointed Personnel:

Shelby Jean Cooper	County Treasurer
Vivian Norris	Chief Financial Officer
Larry Burden	Road Supervisor

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

For The Year Ended June 30, 2022

ROBERTSON 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	Federal Fund
RECEIPTS				
Taxes	\$ 582,940	\$	\$	\$
Intergovernmental	280,610	693,150	71,636	214,727
Charges for Services	20		170	
Miscellaneous	113,770	15,465	164	
Interest	924	149		
Total Receipts	<u>978,264</u>	<u>708,764</u>	<u>71,970</u>	<u>214,727</u>
DISBURSEMENTS				
General Government	639,086			
Protection to Persons and Property	171,296		90,633	
General Health and Sanitation	7,303			
Social Services	1,500			
Recreation and Culture	8,833			
Roads		596,749		
Debt Service				
Administration	236,389	101,213	19,901	9,200
Total Disbursements	<u>1,064,407</u>	<u>697,962</u>	<u>110,534</u>	<u>9,200</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(86,143)</u>	<u>10,802</u>	<u>(38,564)</u>	<u>205,527</u>
Other Adjustments to Cash (Uses)				
Payroll Revolving Account	(20,906)			
Transfers From Other Funds	117,756		30,000	
Transfers To Other Funds	(30,000)	(117,561)		(195)
Total Other Adjustments to Cash (Uses)	<u>66,850</u>	<u>(117,561)</u>	<u>30,000</u>	<u>(195)</u>
Net Change in Fund Balance	(19,293)	(106,759)	(8,564)	205,332
Fund Balance - Beginning	<u>96,116</u>	<u>1,205,943</u>	<u>6,524</u>	
Fund Balance - Ending	<u>\$ 76,823</u>	<u>\$ 1,099,184</u>	<u>\$ (2,040)</u>	<u>\$ 205,332</u>
Composition of Fund Balance				
Bank Balance	\$ 56,025	\$ 4,382	\$ 3,215	\$ 205,332
Savings Bank Balance	55,057	660,977		
Payroll Revolving Bank Balance	(20,906)			
Less: Outstanding Checks	(63,353)	(16,175)	(5,255)	
Certificates of Deposit	50,000	450,000		
Fund Balance - Ending	<u>\$ 76,823</u>	<u>\$ 1,099,184</u>	<u>\$ (2,040)</u>	<u>\$ 205,332</u>

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

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

Unbudgeted Fund	Private Purpose Trust Fund	
Public Properties Corporation Fund	McDowell Old Folks Trust Fund	Total Funds
\$ 171,190	\$	\$ 582,940
		1,431,313
		190
		129,399
		1,073
171,190		2,144,915
		639,086
		261,929
		7,303
		1,500
		8,833
170,190		596,749
		170,190
170,190		366,703
		2,052,293
1,000		92,622
		(20,906)
		147,756
		(147,756)
		(20,906)
1,000		71,716
512	513	1,309,608
\$ 1,512	\$ 513	\$ 1,381,324
\$ 1,512	\$ 513	\$ 270,979
		716,034
		(20,906)
		(84,783)
		500,000
\$ 1,512	\$ 513	\$ 1,381,324

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

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TO THE FINANCIAL STATEMENT**

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**ROBERTSON COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2022

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Basis of Accounting

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

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

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

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

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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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

Unbudgeted Fund

The fiscal court reports the following unbudgeted fund:

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

D. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting 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 public properties corporation fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

E. Robertson County Elected Officials

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments

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

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

G. Long-term Obligations

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

Note 2. Deposits

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of the DLG *County Budget Preparation and State Local Finance Officer Policy Manual*. As of June 30, 2022, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Transfers

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

	General Fund	Road Fund	Federal Fund	Total Transfers In
General Fund	\$	\$ 117,561	\$ 195	\$ 117,756
Jail Fund	30,000			30,000
Total Transfers Out	\$ 30,000	\$ 117,561	\$ 195	\$ 147,756

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

Note 3. Transfers (Continued)

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. Private Purpose Trust Funds

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

The fiscal court has the following private purpose trust fund:

McDowell Old Folks Trust Fund – This fund was established to benefit the senior citizens in Robertson County. The balance in the McDowell Old Folks Trust Fund as of June 30, 2022 is \$513.

Note 5. Lease - Lessor

During the fiscal year ending June 30, 2018, the Robertson County Fiscal Court began leasing office space at 420 North Main Street to the Cabinet for Health and Family Services. The lease is for eight years and the Robertson County Fiscal Court will receive quarterly payments of \$4,500. The Robertson County Fiscal Court recognized \$12,998 in lease revenue during the current fiscal year related to this lease. As of June 30, 2022, the Robertson County Fiscal Court's receivable for lease payments was \$84,993.

Note 6. Long-term Debt

A. Other Debt

1. First Mortgage Revenue Refunding Bonds, Series 2018

On March 1, 2018, the Robertson County Kentucky Public Properties Corporation issued \$2,315,000 first mortgage revenue refunding bonds, series 2018. The proceeds were used to fully refund the series 2008 bonds which had financed the construction of the Robertson County Judicial Center. Principal payments were payable annually on March 1 and interest payments were payable semi-annually on March 1 and September 1.

The Robertson County Fiscal Court entered into a renewable lease agreement with the Administrative Office of the Courts (AOC). Under the terms of the lease, AOC has agreed to make rental payments, equal to the amount of principal and interest due, directly to the trustee of the bonds. The fiscal court and the public properties corporation are in reliance upon the AOC payments in order to meet the debt service requirements of the bonds.

AOC, with the execution of the lease, has expressed its intention to continue to meet the full rental payments in each successive biennial budget period so long as any of the bonds remain outstanding, but the lease does not legally obligate AOC to do so.

As of June 30, 2022, bonds outstanding were \$1,880,00. Future principal and interest requirements are as follows:

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

Note 6. Long-term Debt (Continued)

A. Other Debt (Continued)

1. First Mortgage Revenue Refunding Bonds, Series 2018 (Continued)

Fiscal Year Ended June 30	Principal	Interest
2023	\$ 140,000	\$ 64,981
2024	145,000	59,381
2025	150,000	53,581
2026	155,000	47,581
2027	170,000	41,381
2028-2032	920,000	119,119
2033	200,000	6,500
Totals	<u>\$ 1,880,000</u>	<u>\$ 392,524</u>

B. Changes In Long-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	<u>\$ 2,015,000</u>	<u>\$</u>	<u>\$ 135,000</u>	<u>\$ 1,880,000</u>	<u>\$ 140,000</u>
Total Long-term Debt	<u>\$ 2,015,000</u>	<u>\$ 0</u>	<u>\$ 135,000</u>	<u>\$ 1,880,000</u>	<u>\$ 140,000</u>

C. Aggregate Debt Schedule

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

Fiscal Year Ended June 30	Other Debt	
	Principal	Interest
2023	\$ 140,000	\$ 64,981
2024	145,000	59,381
2025	150,000	53,581
2026	155,000	47,581
2027	170,000	41,381
2028-2032	920,000	119,119
2033	200,000	6,500
Totals	<u>\$ 1,880,000</u>	<u>\$ 392,524</u>

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

Note 7. Employee Retirement System

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (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 \$126,931, FY 2021 was \$124,258, and FY 2022 was \$134,692.

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.

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

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

The county's contribution rate for nonhazardous employees was 26.95 percent.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

Note 7. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (Continued)

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

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

Benefits are covered under KRS 78.5536.

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

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

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

Tier 2 member benefits are covered by KRS 78.5536. Tier 3 members are not covered by the same provisions.

C. Cost of Living Adjustments - Tier 1

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

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

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

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

Note 7. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

E. Death Benefit

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

Annual Financial Report and Proportionate Share Audit Report

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

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

Note 8. Deferred Compensation

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

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

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

Note 9. Health Reimbursement Program

Robertson County employees, who meet the eligibility requirements of the personnel policy as determined by the Robertson County Fiscal Court, may participate in a health reimbursement program. For the fiscal year ended June 30, 2022, the fiscal court contributed up to \$450 each month to participating full time employees. The fiscal court utilizes the revolving payroll fund to process the monthly health reimbursements.

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

Note 10. Insurance

For the fiscal year ended June 30, 2022, the Robertson County Fiscal Court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 11. Related Party Transactions

A magistrate is the owner of an auto parts store located in Mount Olivet, Kentucky. The fiscal court spent \$5,895 on purchases from the store during fiscal year 2022.

Note 12. Interfund Receivable and Payable

The table below adjusts the June 30, 2022 fund balance for the receivable and payable between the road fund and general fund that are not included on the financial statement prepared in accordance with the regulatory basis of accounting.

	General Fund	Road Fund
Cash Balance - Ending	\$ 76,823	\$ 1,099,185
Interfund Receivable (Payable)	<u>(53,150)</u>	<u>53,150</u>
Fund Balance - Ending	<u>\$ 23,673</u>	<u>\$ 1,152,335</u>

Note 13. Payroll Revolving Account

The reconciled balance of the payroll revolving account as of June 30, 2022, was added to the general fund cash balance for financial reporting purposes. The reconciled bank balance for the payroll revolving account was a deficit of (\$20,906).

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ROBERTSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2022

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ROBERTSON 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	\$ 469,500	\$ 469,500	\$ 582,940	\$ 113,440
Excess Fees	130,026	130,026		(130,026)
Intergovernmental	227,362	227,362	280,610	53,248
Charges for Services	300	300	20	(280)
Miscellaneous	95,750	95,750	113,770	18,020
Interest	4,000	4,000	924	(3,076)
Total Receipts	926,938	926,938	978,264	51,326
DISBURSEMENTS				
General Government	649,387	717,375	639,086	78,289
Protection to Persons and Property	186,585	189,838	171,296	18,542
General Health and Sanitation	12,000	12,000	7,303	4,697
Social Services	2,000	2,000	1,500	500
Recreation and Culture	12,000	12,000	8,833	3,167
Capital Projects	3,000	3,000		3,000
Administration	310,267	243,311	236,389	6,922
Total Disbursements	1,175,239	1,179,524	1,064,407	115,117
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(248,301)	(252,586)	(86,143)	166,443
Other Adjustments to Cash (Uses)				
Payroll Revolving			(20,906)	(20,906)
Transfers From Other Funds	117,561	117,561	117,756	195
Transfers To Other Funds	(29,260)	(29,260)	(30,000)	(740)
Total Other Adjustments to Cash (Uses)	88,301	88,301	66,850	(21,451)
Net Change in Fund Balance	(160,000)	(164,285)	(19,293)	144,992
Fund Balance - Beginning	160,000	160,000	96,116	(63,884)
Fund Balance - Ending	\$ 0	\$ (4,285)	\$ 76,823	\$ 81,108

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

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 672,434	\$ 672,434	\$ 693,150	\$ 20,716
Miscellaneous	7,000	7,000	15,465	8,465
Interest	250	250	149	(101)
Total Receipts	679,684	679,684	708,764	29,080
DISBURSEMENTS				
Roads	1,062,750	1,086,737	596,749	489,988
Administration	299,343	275,222	101,213	174,009
Total Disbursements	1,362,093	1,361,959	697,962	663,997
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(682,409)	(682,275)	10,802	693,077
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(117,561)	(117,561)	(117,561)	
Total Other Adjustments to Cash (Uses)	(117,561)	(117,561)	(117,561)	
Net Change in Fund Balance	(799,970)	(799,836)	(106,759)	693,077
Fund Balance - Beginning	799,970	799,970	1,205,943	405,973
Fund Balance - Ending	\$ 0	\$ 134	\$ 1,099,184	\$ 1,099,050

ROBERTSON 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	\$ 76,500	\$ 76,500	\$ 71,636	\$ (4,864)
Charges for Services	1,000	1,000	170	(830)
Miscellaneous	3,000	3,000	164	(2,836)
Total Receipts	80,500	80,500	71,970	(8,530)
DISBURSEMENTS				
General Government				
Protection to Persons and Property	88,892	97,817	90,633	7,184
Administration	23,868	10,792	19,901	(9,109)
Total Disbursements	112,760	108,609	110,534	(1,925)
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(32,260)	(28,109)	(38,564)	(10,455)
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	29,260	29,260	30,000	740
Total Other Adjustments to Cash (Uses)	29,260	29,260	30,000	740
Net Change in Fund Balance	(3,000)	1,151	(8,564)	(9,715)
Fund Balance - Beginning	3,000	3,000	6,524	3,524
Fund Balance - Ending	\$ 0	\$ 4,151	\$ (2,040)	\$ (6,191)

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

	FEDERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$	\$ 244,727	\$ 214,727	\$ (30,000)
Total Receipts		244,727	214,727	(30,000)
DISBURSEMENTS				
Administration		244,727	9,200	235,527
Total Disbursements		244,727	9,200	235,527
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			205,527	205,527
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(195)	(195)
Total Other Adjustments to Cash (Uses)			(195)	(195)
Net Change in Fund Balance			205,332	205,332
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 205,332	\$ 205,332

**ROBERTSON 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 line item for administration expenses in the jail fund was \$9,109 more than was budgeted for that line item for the fiscal year.

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ROBERTSON COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2022

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ROBERTSON 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	\$ 120,000			\$ 120,000
Buildings	5,727,813			5,727,813
Vehicles	445,340	104,870		550,210
Machinery and Equipment	761,069	38,231	32,000	767,300
Infrastructure	4,015,581			4,015,581
 Total Capital Assets	 <u>\$ 11,069,803</u>	 <u>\$ 143,101</u>	 <u>\$ 32,000</u>	 <u>\$ 11,180,904</u>

ROBERTSON 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.

	<u>Capitalization Threshold</u>	<u>Useful Life (Years)</u>
Land Improvements	\$ 12,500	10-60
Buildings	\$ 25,000	10-60
Vehicles	\$ 2,500	3-10
Machinery and Equipment	\$ 2,500	5
Infrastructure	\$ 20,000	10-50

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

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

Independent Auditor's Report

The Honorable Valerie Grigson, Robertson County Judge/Executive
The Honorable Stephanie Holbrook, Former Robertson County Judge/Executive
Members of the Robertson 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 Robertson County Fiscal Court for the fiscal year ended June 30, 2022, and the related notes to the financial statement which collectively comprise the Robertson County Fiscal Court's financial statement and have issued our report thereon dated February 28, 2023.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2022-003 and 2022-004 that we consider to be significant deficiencies.



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

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Robertson 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 Responses as items 2022-001 and 2022-002.

Views of Responsible Officials and Planned Corrective Action

Robertson County's views and planned corrective action for the findings identified in our audit are included in the accompanying Schedule of Findings and Response. 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

February 28, 2023

**ROBERTSON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2022

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**ROBERTSON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2022

STATE LAWS AND REGULATIONS:

2022-001 The General Fund Owes The Road Fund \$53,150

This is a repeat finding and was included in the prior year audit report as finding 2021-01. During fiscal year 2009, the fiscal court transferred funds from the road fund to the general fund in excess of the amount allowable according to the road cost allocation worksheet. The overage was \$96,500. The county was to return the excess amount back to the road fund from the general fund. Due to cash flow constraints, the county has been making payments each year from the general fund to the road fund to try and reduce the amount owed. However, during fiscal year 2022, the county did not make any payments to the road fund. The outstanding liability amount was \$53,150 as of June 30, 2022.

In fiscal year 2009, \$96,500 of restricted road funds were transferred to the general fund in excess of the approved amount. This created a receivable and payable between the funds. Under the regulatory basis of accounting, fund balances are not adjusted on the financial statement for the unpaid liability; however, the liability is still owed.

KRS 177.320(1) requires road funds to be used for the “construction, reconstruction and maintenance of secondary and rural roads and for no other purpose”. The road fund is restricted for transportation, with the exception of the approved amount calculated on the road fund cost allocation worksheet.

We recommend the general fund liability be paid as money becomes available.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The County Treasurer (per the request of the former CJE) reimbursed The Road Fund, from The General Fund, \$5,000.00, on September 27, 2022, leaving a balance due of \$48,150.00. The County will continue to reimburse The Road Fund, as funds are available.

2022-002 Five Disbursements Totaling \$167,053 Were Made And Not Presented To The Fiscal Court Prior To Payment

During disbursements testing, five instances totaling \$167,053 were noted where disbursements were not presented to the fiscal court prior to payment or included on the annual standing order to preapprove certain recurring expenses. Subsequent to payment, they were presented to the fiscal court. According to the county, bills were due before the fiscal court meeting, and they didn't want the invoice to be past due. The fiscal court was unaware of the county's financial condition at time of disbursement.

KRS 68.275 requires claims within budget line items and authorized by the fiscal court be paid by the county judge/executive and co-signed by the county treasurer. In addition, KRS 68.275 also 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.

We recommend all disbursements that are not on the annual standing order be presented to fiscal court prior to payment.

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

STATE LAWS AND REGULATIONS: (Continued)

2022-002 Five Disbursements Totaling \$167,053 Were Made And Not Presented To The Fiscal Court Prior To Payment (Continued)

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: We are reviewing the procurement policy. Purchasing guidelines have been restated to all departments. The guidelines for purchasing will be more strictly monitored and followed. Prior Fiscal Court approval will be obtained for all purchases that exceed pre-approved purchasing limits or that are not allowable standing orders.

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES:

2022-003 The Robertson County Fiscal Court Had Disbursements In Excess Of Budgeted Line Items Resulting In A Deficit

One line-item appropriation within the jail fund was in excess of budgeted amounts. This means the funds were spent from line items that did not have budget available per the appropriation ledger. The fund overspent their budget total, and the bank account was left in a \$2,040 deficit.

Controls were not in place to make sure someone was actively monitoring appropriations to ensure they did not exceed budgeted amounts, or if an expenditure was going to cause a line item to be overspent, that a line item budget transfer was done before the expenditure was made.

Having line items that exceed budgeted amounts puts the county in noncompliance with state budget requirements.

KRS 68.210 requires the state local finance officer to create a uniform system of accounts for all counties and county officials. The *County Budget Preparation and State Local Finance Officer Policy Manual* outlines requirements for handling of public funds, including required purchasing procedures for counties. These requirements prescribe that "[p]urchase requests shall not be approved in an amount that exceeds the available line item appropriation unless the necessary and appropriate transfers have been made."

KRS 68.300 requires that no appropriation in excess of any budget fund should be made or claim allowed by the fiscal court. Claims of that nature shall be void and no member of the fiscal court shall vote for any such illegal appropriation or claim. The county treasurer shall be liable on her official bond for the amount of any county warrant willfully or negligently signed or countersigned by her in excess of the budget fund out of which the warrant is paid.

Good internal controls for purchase requests exceeding budget appropriations would lead to discussion with both the county treasurer and the county judge/executive as to whether the purchase order will be issued, the necessity and appropriateness of a budget transfer to cover the expense, and if other issues need to be addressed related to spending.

We recommend the county strengthen controls over the disbursements process to ensure purchases being made do not cause an issue with overspending a line-item budget amount. If it looks like that will occur there should be discussion with both the county treasurer and the county judge/executive as to whether a budget transfer needs to be completed prior to the expense being made in order to be in compliance with applicable state statutes.

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

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES: (Continued)

2022-003 The Robertson County Fiscal Court Had Disbursements In Excess Of Budgeted Line Items Resulting In A Deficit (Continued)

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: In the future, the Jail Fund will be monitored, and amendments made as needed.

2022-004 The Robertson County Fiscal Court Does Not Reconcile The Payroll Revolving Account To A Set Amount Each Month Resulting In A Deficit

The payroll revolving account is not reconciled to a set amount each month. The county has a revolving payroll bank account with a June 30, 2022 negative reconciled bank balance of (\$20,906) after all June 30 liabilities that could be identified were accounted for. Per county staff inquiry, each payroll amount due is transferred from the proper funds to the payroll revolving account. They are unsure why there is a negative balance. If the county does not reconcile the payroll account, there is the possibility there will not be available funds when payroll checks are clearing.

Good internal controls dictate a revolving account should be reconciled to zero, or other set amount, monthly and if there is a remaining balance in the account it should be investigated timely and determined if liabilities have not been paid or a deposit was made incorrectly or if reimbursements were made that can be used to offset future payroll liabilities.

We recommend the fiscal court review the negative balance in the payroll revolving bank account to determine and properly reconcile the account to zero or another set amount.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Upon further research, we believe the negative "true" balance is a result of how the retirement match was calculated and submitted, for a continued length of time, under the prior CJE. We are contacting CERS to confirm. Upon verification (and/or a retirement plan audit), we hope to have these funds reimbursed. Upon resolution of the issue, the account will be reconciled to "zero" or some other set small balance each month.