

**REPORT OF THE AUDIT OF THE
ROWAN 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 Harry Clark, Rowan County Judge/Executive
Members of the Rowan 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 Rowan County Fiscal Court, for the year ended June 30, 2022, and the related notes to the financial statement, which collectively comprise the Rowan 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 Rowan 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 Rowan 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 Rowan County Fiscal Court and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



To the People of Kentucky
 The Honorable Andy Beshear, Governor
 Holly M. Johnson, Secretary
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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 Rowan 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

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

To the People of Kentucky
The Honorable Andy Beshear, Governor
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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 Rowan 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 April 3, 2023, on our consideration of the Rowan 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 Rowan County Fiscal Court's internal control over financial reporting and compliance.

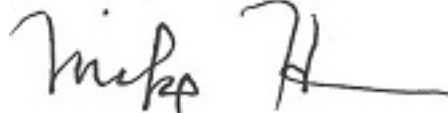
To the People of Kentucky
The Honorable Andy Beshear, Governor
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Members of the Rowan County Fiscal Court

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 Rowan County Fiscal Court Did Not Have Adequate Controls Over Revolving Accounts
- 2022-002 The Rowan County Jailer Paid Additional Compensation To Jail Employees For Conducting Classes At The Jail
- 2022-003 The Rowan County Jailer Did Not Comply With Bidding Requirements For The Purchase Of Electronic Cigarettes And Nicotine Pouches

Respectfully submitted,

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

Mike Harmon
Auditor of Public Accounts
Frankfort, Ky

April 3, 2023

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

Harry Clark	County Judge/Executive
Ray White	Magistrate
Darrell Glover	Magistrate
Robert Hamm	Magistrate
Charlie Winkleman	Magistrate

Other Elected Officials:

Cecil Watkins	County Attorney
Wes Coldiron	Jailer
Elwood Caudill, Jr.	County Clerk
Kim Barker-Tabor	Circuit Court Clerk
Matt Sparks	Sheriff
Carmen Swim	Property Valuation Administrator
John P. Northcutt	Coroner

Appointed Personnel:

Kerry M. Jessee	County Treasurer
Mike Macklin	Occupational Tax Collector

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

For The Year Ended June 30, 2022

ROWAN 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	\$ 8,776,999	\$	\$
In Lieu Tax Payments	161,065	125,441	
Excess Fees	415,942		
Licenses and Permits	326,735		
Intergovernmental	392,727	2,047,350	3,305,820
Charges for Services			157,009
Miscellaneous	113,961	5,007	140,389
Interest	3,027	330	91
Total Receipts	<u>10,190,456</u>	<u>2,178,128</u>	<u>3,603,309</u>
DISBURSEMENTS			
General Government	2,000,783		
Protection to Persons and Property	304,668		3,197,357
General Health and Sanitation	424,572		
Social Services	28,145		
Recreation and Culture	243,143		
Roads		2,624,459	
Airports	38,000		
Bus Services	27,000		
Debt Service	251,347		1,363,656
Capital Projects			
Administration	1,754,517	405,723	920,049
Total Disbursements	<u>5,072,175</u>	<u>3,030,182</u>	<u>5,481,062</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>5,118,281</u>	<u>(852,054)</u>	<u>(1,877,753)</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds		558,000	1,951,637
Transfers To Other Funds	(2,683,446)		
Total Other Adjustments to Cash (Uses)	<u>(2,683,446)</u>	<u>558,000</u>	<u>1,951,637</u>
Net Change in Fund Balance	2,434,835	(294,054)	73,884
Fund Balance - Beginning (Restated)	3,033,785	345,736	11,148
Fund Balance - Ending	<u>\$ 5,468,620</u>	<u>\$ 51,682</u>	<u>\$ 85,032</u>
Composition of Fund Balance			
Bank Balance	\$ 5,506,219	\$ 59,063	\$ 88,257
Less: Outstanding Checks	(37,599)	(7,381)	(3,225)
Fund Balance - Ending	<u>\$ 5,468,620</u>	<u>\$ 51,682</u>	<u>\$ 85,032</u>

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

ROWAN 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	State Grants Fund	Federal Grants Fund	Ambulance Fund	Forest Fire Protection Fund	Special Fund	Harm Reduction Grant Fund
\$	\$	\$	\$	\$ 1,006	\$	\$
41,238	20,000		240,700 1,456,160		2,375,534	
47			200		1,673	
41,285	20,000		1,697,060	1,006	2,377,207	
					326,180 59,106	
	19,272		1,500,583	2,551		8,380
37,000						
59,907			680,238		5,600 1,937	
96,907	19,272		2,180,821	2,551	392,823	8,380
(55,622)	728		(483,761)	(1,545)	1,984,384	(8,380)
				1,500		
				1,500		
(55,622)	728		(483,761)	(45)	1,984,384	(8,380)
97,238	69,806		529,133	93	2,375,534	29,223
\$ 41,616	\$ 70,534	\$ 0	\$ 45,372	\$ 48	\$ 4,359,918	\$ 20,843
\$ 41,616	\$ 72,034 (1,500)	\$	\$ 45,464 (92)	\$ 48	\$ 4,359,918	\$ 20,843
\$ 41,616	\$ 70,534	\$ 0	\$ 45,372	\$ 48	\$ 4,359,918	\$ 20,843

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

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

	<u>Budgeted Fund</u>	<u>Unbudgeted Funds</u>		
	<u>Ambulance Service Construction Fund</u>	<u>Public Properties Corporation Fund</u>	<u>Jail Commissary Fund</u>	<u>Total Funds</u>
RECEIPTS				
Taxes	\$	\$	\$	\$ 8,778,005
In Lieu Tax Payments				286,506
Excess Fees				415,942
Licenses and Permits				326,735
Intergovernmental		898,066		9,321,435
Charges for Services				1,613,169
Miscellaneous			350,609	609,966
Interest				5,368
Total Receipts		898,066	350,609	21,357,126
DISBURSEMENTS				
General Government				2,326,963
Protection to Persons and Property	6			5,064,271
General Health and Sanitation				452,224
Social Services				28,145
Recreation and Culture			326,409	569,552
Roads				2,661,459
Airports				38,000
Bus Services				27,000
Debt Service		1,070,375		2,685,378
Capital Projects				65,507
Administration				3,762,464
Total Disbursements	6	1,070,375	326,409	17,680,963
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(6)	(172,309)	24,200	3,676,163
Other Adjustments to Cash (Uses)				
Transfers From Other Funds		172,309		2,683,446
Transfers To Other Funds				(2,683,446)
Total Other Adjustments to Cash (Uses)		172,309		
Net Change in Fund Balance	(6)		24,200	3,676,163
Fund Balance - Beginning (Restated)	6		46,942	6,538,644
Fund Balance - Ending	\$ 0	\$ 0	\$ 71,142	\$ 10,214,807
Composition of Fund Balance				
Bank Balance	\$	\$	\$ 84,698	\$ 10,278,160
Less: Outstanding Checks			(13,556)	(63,353)
Fund Balance - Ending	\$ 0	\$ 0	\$ 71,142	\$ 10,214,807

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

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TO THE FINANCIAL STATEMENT**

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**ROWAN COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2022

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

ROWAN 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)

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.

State Grants 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.

Federal Grants 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 federal government.

Ambulance Fund - The primary purpose of this fund is to account for the dispatch expenses of the county. The primary sources of receipts for this fund are ambulance fees and grants from the state and federal governments.

Forest Fire Protection Fund - The primary purpose of this fund is to account for forest fire tax proceeds and remittance to the state.

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

Harm Reduction Grant 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.

Ambulance Service Construction Fund - The primary purpose of this fund is to account for the proceeds of the general obligation bonds issued to finance the construction of the Rowan County Ambulance Service Center.

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.

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135. The profits generated from the sale of items are to be used for the benefit and to enhance the well-being of the inmates, or to enhance safety and security within the jail. The jailer is required to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail commissary fund.

D. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting according to the laws of Kentucky as required by the state local finance officer, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board.

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

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information (Continued)

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. Rowan County Elected Officials

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

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

F. Deposits and Investments

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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	Total Transfers In
Road Fund	\$ 558,000	\$ 558,000
Jail Fund	1,951,637	1,951,637
Forest Fire Protection Fund	1,500	1,500
Public Properties Corporation Fund	172,309	172,309
Total Transfers Out	<u>\$ 2,683,446</u>	<u>\$ 2,683,446</u>

Reason for transfers:

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

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

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 \$123,967.

Note 5. Long-term Debt

A. Other Debt

1. First Mortgage Revenue Refunding Bonds, Series 2017 - Judicial Building

On June 14, 2017, Rowan County issued \$3,610,889 of refunding bonds to defease \$3,315,000 of outstanding first mortgage revenue refunding bonds on the judicial building. The agreement has a variable interest rate of 2.00 to 4.25 percent with a maturity date of August 1, 2028. Semi-annual interest payments are due on August 1 and February 1 of each year. Annual principal payments begin August 1, 2020.

In the event of default, the purchaser may proceed to protect and enforce its rights by the following remedies: (a) by enforcement of the foreclosable mortgage lien on the project and improvements granted by this mortgage, and in such event the purchaser shall take over possession, custody and control of the project and shall operate or carry out a decretal sale of same with due regard to state and federal law and the covenants contained in the lease; provided, however, that no such foreclosure sale shall result in a deficiency judgment of any type or in any amount against the county, the AOC or the issuer, and until such sale the county or the AOC may at any time by the discharge of the bonds and interest thereon receive unencumbered fee simple title to the mortgaged facilities; provided that in the event of any such enforcement of said lien by the purchaser, there shall first be paid all expenses incident to said enforcement, and thereafter the bonds then outstanding shall be paid and retired; (b) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the purchaser, including the right to require the issuer to enforce fully the lease and to charge, collect and fully account for the rental payments payable thereunder and to require the issuer to carry out any and all other covenants or agreements with the purchaser and to perform its duties under the act; (c) by bringing suit upon the bonds; (d) by action or suit in equity, require the issuer to account as if it were the trustee of any 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 shall be made good, then by annulling such declaration and its consequences; (g) in the event that all bonds are declared due and payable, by selling permitted investments of the issuer (to the extent not theretofore set aside for redemption of bonds for which call has been made), and enforcing all courses in action of the issuer to the fullest legal extent in the name of the issuer. Furthermore, each defaulted bond shall continue to bear interest after maturity at the interest rate applicable to such respective bonds until the necessary funds are made available for payment.

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

Note 5. Long-term Debt (Continued)

A. Other Debt (Continued)

1. First Mortgage Revenue Refunding Bonds, Series 2017 - Judicial Building (Continued)

The outstanding principal balance as of June 30, 2022 is \$3,562,474. Future principal and interest payments are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2023	\$ 45,671	\$ 95,216
2024	46,916	93,971
2025	48,195	92,692
2026	820,612	81,006
2027	844,324	58,613
2028-2029	<u>1,756,756</u>	<u>47,618</u>
Totals	<u>\$ 3,562,474</u>	<u>\$ 469,116</u>

2. First Mortgage Revenue Refunding Bonds, Series 2019 - Judicial Building

On July 30, 2019, Rowan County issued \$3,449,993 of refunding bonds to defease \$3,420,000 of outstanding first mortgage revenue refunding bonds on the judicial building. The agreement has a fixed interest rate of 2.27 percent. The bonds will mature on August 1, 2024. Semi-annual interest payments are due on August 1 and February 1 of each year. Annual principal payments begin August 1, 2020. As a result of this advance refunding, Rowan County obtained a net present value cash flow savings of \$161,678 over the life of the bond of which 10% is the county's portion of the savings. In the event of a default, the purchaser may proceed to protect and enforce its rights by the following remedies: (a) by enforcement of the foreclosable mortgage lien on the project and improvements granted by this mortgage, and in such event the purchaser shall take over possession, custody and control of the project and shall operate or carry out a decretal sale of same with due regard to state and federal law and the covenants contained in the lease; provided, however, that no such foreclosure sale shall result in a deficiency judgement of any type or in any amount against the county, the AOC or the issuer, and until such sale the county or the AOC may at any time by the discharge of the bonds and interest thereon receive unencumbered fee simple title to the mortgaged facilities; provided that in the event of any such enforcement of said lien by the purchaser, there shall first be paid all expenses incident to said enforcement, and thereafter the bonds then outstanding shall be paid and retired; (b) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the purchaser, including the right to require the issuer to enforce fully the lease and to charge, collect and fully account for the rental payments payable thereunder and to require the issuer to carry out any and all other covenants or agreements with the purchaser and to perform its duties under the act; (c) by bringing suit upon the bonds; (d) by action or suit in equity, require the issuer 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 shall be made good, then by annulling such declaration and its consequences; (g) in the event that all bonds are declared due and payable, by selling permitted investments of the issuer (to the extent not theretofore set aside for redemption of bonds for which call has been made), and enforcing all courses in action of the issuer to the fullest legal extent in the name of the issuer. Furthermore, each defaulted bond shall continue to bear interest after maturity at the interest rate applicable to such respective bonds until the necessary funds are made available for payment.

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

Note 5. Long-term Debt

A. Other Debt (Continued)

2. First Mortgage Revenue Refunding Bonds, Series 2019 - Judicial Building (Continued)

The outstanding principal balance as of June 30, 2022 was \$2,197,914. Future principal and interest payments are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2023	\$ 718,643	\$ 41,736
2024	732,211	25,269
2025	<u>747,060</u>	<u>8,479</u>
Totals	<u>\$ 2,197,914</u>	<u>\$ 75,484</u>

3. General Obligation Refunding Lease, Series 2017 - Administrative Building Refinance

On June 8, 2017, Rowan County issued \$1,470,082 in general obligation refunding lease bonds for the partial refunding of the bonds for the renovation of the administrative building. The agreement has a fixed interest rate of 2.19 percent. The bonds will mature on August 1, 2024. Semi-annual interest payments are due on December 1 and June 1 of each year commencing on December 1, 2017. Annual principal payments begin December 1, 2017. The bonds will be paid in full through the general obligation bond issue as of June 1, 2030.

In the event of default, the bank may, and at the request of any underwriter or any registered or beneficial owner of bonds, shall, or any registered or beneficial owner may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the county to comply with its obligations under this agreement.

The outstanding principal balance as of June 30, 2022 was \$1,250,774. Future principal and interest payments are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2023	\$ 146,297	\$ 25,790
2024	148,563	22,561
2025	150,652	19,285
2026	152,559	15,965
2027	159,125	12,552
2028-2030	<u>493,578</u>	<u>16,359</u>
Totals	<u>\$ 1,250,774</u>	<u>\$ 112,512</u>

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

Note 5. Long-term Debt

A. Other Debt (Continued)

4. General Obligation Refunding Bonds, Series 2013 - Old Courthouse Refinance

On April 24, 2013, Rowan County issued \$1,190,000 of general obligation refunding bonds for the refinancing of the old courthouse renovation bonds and old courthouse restoration lease. The agreement has a variable interest rate of 1.0 to 2.65 percent. The bonds will mature on August 1, 2024. The bonds require semiannual interest payments on November 1 and May 1 of each year, beginning November 1, 2013. Annual principal payments commence November 1, 2026.

In the event of default, the bank may and at the request of any underwriter or any registered or beneficial owner of bonds, shall, or any registered or beneficial owner may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the county to comply with its obligations under this agreement due to the fact that there are no debt service reserve funds applicable to the bonds; there are no liquidity providers applicable to the bonds; and there is no properly securing the repayment of the bonds.

The outstanding principal balance as of June 30, 2022 was \$440,000. Future principal and interest payments are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2023	\$ 115,000	\$ 9,604
2024	120,000	6,843
2025	120,000	3,843
2026	40,000	1,722
2027	45,000	596
Totals	<u>\$ 440,000</u>	<u>\$ 22,608</u>

5. General Obligation Bonds, Series 2016 - Detention Facility

On June 29, 2016, Rowan County issued general obligation bonds in the amount of \$15,000,000 to finance the construction of the Rowan County Detention Facility and to retire the 2015 bond anticipation notes. This agreement has a variable interest rate of 2.0 to 4.0 percent. The bonds will mature June 1, 2036. The bonds require semiannual interest payments on December 1 and June 1 of each year, beginning December 1, 2016. Annual principal payments commence June 1, 2017.

In the event of a failure of the county to comply with any provision of this agreement, the bank may and, at the request of any underwriter or any registered or beneficial owner of the bonds, shall, or any registered or beneficial owner may, take such actions as may be necessary and appropriate including seeking mandate or specific performance by court order, to cause the county to comply with its obligations under this agreement.

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

Note 5. Long-term Debt

A. Other Debt (Continued)

5. General Obligation Bonds, Series 2016 - Detention Facility (Continued)

The outstanding principal balance as of June 30, 2022 was \$11,670,000. Future principal and interest payments are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2023	\$ 665,000	\$ 379,406
2024	690,000	352,806
2025	720,000	325,206
2026	735,000	310,806
2027	765,000	281,406
2028-2032	4,210,000	1,015,981
2033-2036	<u>3,885,000</u>	<u>295,650</u>
Totals	<u>\$ 11,670,000</u>	<u>\$ 2,961,261</u>

6. General Obligation Bonds, Series 2017 - Detention Facility

On May 18, 2017, Rowan County issued general obligation bonds in the amount of \$4,300,000 to complete the construction of the Rowan County Detention Facility. This agreement has a variable interest rate of 3.0 to 4.0 percent. The bonds will mature on June 1, 2036. The bonds require semiannual interest payments on June 1 and December 1, beginning June 1, 2017. Annual principal payments commence on June 1, 2018.

In the event of a failure of the county to comply with any provision of this agreement, the bank may and, at the request of any underwriter or any registered or beneficial owner of bonds, shall, or any registered or beneficial owner may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the county to comply with its obligations under this agreement.

The outstanding principal balance as of June 30, 2022 was \$3,420,000. Future principal and interest payments are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2023	\$ 195,000	\$ 124,200
2024	200,000	118,350
2025	205,000	112,350
2026	215,000	106,200
2027	220,000	99,750
2028-2032	1,225,000	380,750
2033-2036	<u>1,160,000</u>	<u>118,000</u>
Totals	<u>\$ 3,420,000</u>	<u>\$ 1,059,600</u>

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

Note 5. Long-term Debt

A. Other Debt (Continued)

7. General Obligation Bonds, Series 2020 - Ambulance Service

On July 29, 2020, Rowan County issued general obligation bonds in the amount of \$2,290,000 to complete the construction of the Rowan County Ambulance Service Building Project. This agreement has a fixed interest rate of 2.0 percent and matures on June 1, 2036. The bonds require semiannual interest payments on December 1 and June 1, beginning December 1, 2020. Annual principal payments commence June 1, 2021.

In the event of a failure of the county to comply with any provision of this agreement, the bank may and, at the request of any underwriter or any registered or beneficial owner of bonds, shall, or any registered or beneficial owner may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the county to comply with its obligations under this agreement.

The outstanding principal balance as of June 30, 2022 was \$2,120,000. Future principal and interest payments are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2023	\$ 85,000	\$ 42,400
2024	90,000	40,700
2025	95,000	38,900
2026	175,000	37,000
2027	170,000	33,500
2028 - 2032	940,000	107,500
2033 - 2036	<u>565,000</u>	<u>28,600</u>
Totals	<u>\$ 2,120,000</u>	<u>\$ 328,600</u>

B. Changes In Long-term Debt

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General Obligation Bonds	\$ 20,074,476	\$	\$ 1,173,702	\$18,900,774	\$ 1,206,297
Revenue Bonds	<u>6,504,195</u>		<u>743,807</u>	<u>5,760,388</u>	<u>764,314</u>
Total Long-term Debt	<u>\$ 26,578,671</u>	<u>\$ 0</u>	<u>\$ 1,917,509</u>	<u>\$24,661,162</u>	<u>\$ 1,970,611</u>

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

Note 5. Long-term Debt (Continued)

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	\$ 1,970,611	\$ 718,352
2024	2,027,690	660,500
2025	2,085,907	600,755
2026	2,138,171	552,699
2027	2,203,449	486,417
2028-2032	8,625,334	1,568,208
2033-2036	5,610,000	442,250
Totals	<u>\$ 24,661,162</u>	<u>\$ 5,029,181</u>

Note 6. Employee Retirement System

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (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 \$1,251,963, FY 2021 was \$1,233,752, and FY 2022 was \$1,433,940.

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.

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

Note 6. Employee Retirement System (Continued)

Nonhazardous (Continued)

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.

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.

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

Note 6. Employee Retirement System (Continued)

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.

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.

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

Note 6. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

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.

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.

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

Note 7. Deferred Compensation

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

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

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

Note 8. Health Reimbursement Account

The Rowan County Fiscal Court established a health reimbursement account to provide employees an additional health benefit for employees that waive their health insurance coverage. The county has contracted with a third-party administrator to administer the plan. The plan provides a debit card to each eligible employee providing \$2,500 each year to pay for qualified medical expenses.

Note 9. Insurance

For the fiscal year ended June 30, 2022, the Rowan 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 10. Conduit Debt

From time to time, the county has issued bonds to provide financial assistance to St. Claire Regional Medical Center 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 Rowan 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.

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

Note 11. Tax Abatement

The occupational tax was abated under the authority of the Rowan County Fiscal Court through the Kentucky Business Investment Program. The Rajant Corporation is eligible to receive this tax abatement due to encouraging the development and expansion of the service and technology industry. The taxes are abated by the reduction of occupational tax by one half of one percent for a duration of ten years. Recapture of abated taxes can occur by encouraging the development and expansion of the service and technology industry. Rajant Corporation made the following commitments: minimum full-time jobs, investment, and wage and employee benefits. For the fiscal year ended June 30, 2022, the amount of abated occupational taxes totaled \$6,128.

Note 12. Prior Period Adjustments

The beginning balance of the general, road, and ambulance funds were restated and increased \$40,260, \$3,043, and \$55, respectively, to account for prior year voided outstanding checks.

The beginning balance of the state grants fund was restated and decreased \$1 due to rounding.

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ROWAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2022

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ROWAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2022

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 6,631,000	\$ 6,840,069	\$ 8,776,999	\$ 1,936,930
In Lieu Tax Payments	85,000	85,000	161,065	76,065
Excess Fees	203,317	415,942	415,942	
Licenses and Permits	96,200	182,113	326,735	144,622
Intergovernmental	309,368	365,990	392,727	26,737
Miscellaneous	39,500	67,102	113,961	46,859
Interest	10,000	10,000	3,027	(6,973)
Total Receipts	7,374,385	7,966,216	10,190,456	2,224,240
DISBURSEMENTS				
General Government	1,854,517	2,271,778	2,000,783	270,995
Protection to Persons and Property	450,030	425,696	304,668	121,028
General Health and Sanitation	422,350	498,345	424,572	73,773
Social Services	31,500	33,500	28,145	5,355
Recreation and Culture	254,846	257,346	243,143	14,203
Airports	38,000	38,000	38,000	
Bus Services	27,000	27,000	27,000	
Debt Service	424,016	424,016	251,347	172,669
Capital Projects	2,000	2,000		2,000
Administration	1,814,225	1,979,166	1,754,517	224,649
Total Disbursements	5,318,484	5,956,847	5,072,175	884,672
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)				
	2,055,901	2,009,369	5,118,281	3,108,912
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(3,929,500)	(3,929,500)	(2,683,446)	1,246,054
Total Other Adjustments to Cash (Uses)	(3,929,500)	(3,929,500)	(2,683,446)	1,246,054
Net Change in Fund Balance				
	(1,873,599)	(1,920,131)	2,434,835	4,354,966
Fund Balance - Beginning (Restated)	1,873,599	2,013,859	3,033,785	1,019,926
Fund Balance - Ending				
	\$ 0	\$ 93,728	\$ 5,468,620	\$ 5,374,892

ROWAN 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	\$ 104,000	\$ 104,000	\$ 125,441	\$ 21,441
Intergovernmental	1,539,421	2,100,703	2,047,350	(53,353)
Miscellaneous	1,000	1,000	5,007	4,007
Interest	1,000	1,000	330	(670)
Total Receipts	1,645,421	2,206,703	2,178,128	(28,575)
DISBURSEMENTS				
Roads	2,052,868	2,976,216	2,624,459	351,757
Administration	488,300	465,970	405,723	60,247
Total Disbursements	2,541,168	3,442,186	3,030,182	412,004
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(895,747)	(1,235,483)	(852,054)	383,429
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	857,747	857,747	558,000	(299,747)
Total Other Adjustments to Cash (Uses)	857,747	857,747	558,000	(299,747)
Net Change in Fund Balance	(38,000)	(377,736)	(294,054)	83,682
Fund Balance - Beginning (Restated)	38,000	345,736	345,736	
Fund Balance - Ending	\$ 0	\$ (32,000)	\$ 51,682	\$ 83,682

ROWAN 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	\$ 2,722,350	\$ 3,024,555	\$ 3,305,820	\$ 281,265
Charges for Services	138,000	138,000	157,009	19,009
Miscellaneous	101,000	119,653	140,389	20,736
Interest	500	500	91	(409)
Total Receipts	2,961,850	3,282,708	3,603,309	320,601
DISBURSEMENTS				
Protection to Persons and Property	2,930,853	3,291,685	3,197,357	94,328
Debt Service	1,363,657	1,363,657	1,363,656	1
Administration	948,000	969,748	920,049	49,699
Total Disbursements	5,242,510	5,625,090	5,481,062	144,028
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(2,280,660)	(2,342,382)	(1,877,753)	464,629
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	2,260,660	2,260,660	1,951,637	(309,023)
Total Other Adjustments to Cash (Uses)	2,260,660	2,260,660	1,951,637	(309,023)
Net Change in Fund Balance	(20,000)	(81,722)	73,884	155,606
Fund Balance - Beginning	20,000	20,000	11,148	(8,852)
Fund Balance - Ending	\$ 0	\$ (61,722)	\$ 85,032	\$ 146,754

ROWAN 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	\$ 60,000	\$ 60,000	\$ 41,238	\$ (18,762)
Interest	100	100	47	(53)
Total Receipts	60,100	60,100	41,285	(18,815)
DISBURSEMENTS				
Roads	10,000	37,238	37,000	238
Capital Projects	70,100	120,100	59,907	60,193
Total Disbursements	80,100	157,338	96,907	60,431
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(20,000)	(97,238)	(55,622)	41,616
Net Change in Fund Balance	(20,000)	(97,238)	(55,622)	41,616
Fund Balance - Beginning	20,000	97,238	97,238	
Fund Balance - Ending	\$ 0	\$ 0	\$ 41,616	\$ 41,616

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

STATE GRANTS FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 20,000	\$ 20,000	\$ 20,000	\$
Total Receipts	20,000	20,000	20,000	
DISBURSEMENTS				
General Health and Sanitation	50,000	89,806	19,272	70,534
Total Disbursements	50,000	89,806	19,272	70,534
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(30,000)	(69,806)	728	70,534
Net Change in Fund Balance	(30,000)	(69,806)	728	70,534
Fund Balance - Beginning (Restated)	30,000	69,806	69,806	
Fund Balance - Ending	\$ 0	\$ 0	\$ 70,534	\$ 70,534

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

FEDERAL GRANTS FUND			
	Budgeted Amounts		Variance with
	Original	Final	Actual Amounts, (Budgetary Basis) Final Budget Positive (Negative)
RECEIPTS			
Intergovernmental	\$	\$ 1,000,000	\$ (1,000,000)
Total Receipts		1,000,000	(1,000,000)
DISBURSEMENTS			
Protection to Persons and Property		1,000,000	1,000,000
Total Disbursements		1,000,000	1,000,000
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			
Net Change in Fund Balance			
Fund Balance - Beginning			
Fund Balance - Ending	\$ 0	\$ 0	\$ 0

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

AMBULANCE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 198,000	\$ 240,700	\$ 240,700	\$
Charges for Services	900,000	950,000	1,456,160	506,160
Miscellaneous	1,000	1,000		(1,000)
Interest	200	200	200	
Total Receipts	1,099,200	1,191,900	1,697,060	505,160
DISBURSEMENTS				
Protection to Persons and Property	1,478,241	1,811,890	1,500,583	311,307
Administration	615,500	718,629	680,238	38,391
Total Disbursements	2,093,741	2,530,519	2,180,821	349,698
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(994,541)	(1,338,619)	(483,761)	854,858
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	809,541	809,541		(809,541)
Total Other Adjustments to Cash (Uses)	809,541	809,541		(809,541)
Net Change in Fund Balance	(185,000)	(529,078)	(483,761)	45,317
Fund Balance - Beginning (Restated)	185,000	529,078	529,133	55
Fund Balance - Ending	\$ 0	\$ 0	\$ 45,372	\$ 45,372

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

FOREST FIRE PROTECTION FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,000	\$ 1,000	\$ 1,006	\$ 6
Total Receipts	1,000	1,000	1,006	6
DISBURSEMENTS				
Protection to Persons and Property	2,552	2,552	2,551	1
Total Disbursements	2,552	2,552	2,551	1
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,552)	(1,552)	(1,545)	7
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,552	1,552	1,500	(52)
Total Other Adjustments to Cash (Uses)	1,552	1,552	1,500	(52)
Net Change in Fund Balance			(45)	(45)
Fund Balance - Beginning			93	93
Fund Balance - Ending	\$ 0	\$ 0	\$ 48	\$ 48

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

SPECIAL FUND			
	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original	Final	
RECEIPTS			
Intergovernmental			2,375,534
Interest			1,673
Total Receipts			2,377,207
DISBURSEMENTS			
General Government		378,666	326,180
Protection to Persons and Property		59,106	59,106
Capital Projects		5,600	5,600
Administration		1,932,162	1,937
Total Disbursements		2,375,534	392,823
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(2,375,534)	1,984,384
Net Change in Fund Balance		(2,375,534)	1,984,384
Fund Balance - Beginning		2,375,534	2,375,534
Fund Balance - Ending	\$ 0	\$ 0	\$ 4,359,918

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

HARM REDUCTION GRANT FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 16,000	\$ 16,000	\$	\$ (16,000)
Total Receipts	16,000	16,000		(16,000)
DISBURSEMENTS				
General Health and Sanitation	26,000	45,223	8,380	36,843
Total Disbursements	26,000	45,223	8,380	36,843
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(10,000)	(29,223)	(8,380)	20,843
Net Change in Fund Balance	(10,000)	(29,223)	(8,380)	20,843
Fund Balance - Beginning	10,000	29,223	29,223	
Fund Balance - Ending	\$ 0	\$ 0	\$ 20,843	\$ 20,843

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

AMBULANCE SERVICE CONSTRUCTION FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)
	Original	Final	
			Variance with Final Budget Positive (Negative)
RECEIPTS			
Taxes	\$	\$	\$
Total Receipts			
DISBURSEMENTS			
Protection to Persons and Property		6	6
Total Disbursements		6	6
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(6)	(6)
Net Change in Fund Balance		(6)	(6)
Fund Balance - Beginning			6
Fund Balance - Ending	\$ 0	\$ (6)	\$ 0

ROWAN 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.

ROWAN COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2022

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ROWAN 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 (Restated*)	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 6,926,816	\$	\$	\$ 6,926,816
Buildings	40,675,333	8,789		40,684,122
Vehicles*	2,843,197	100,919	158,540	2,785,576
Machinery and Equipment	3,250,483	144,608		3,395,091
Infrastructure	11,234,546	1,288,149		12,522,695
 Total Capital Assets	 \$ 64,930,375	 \$ 1,542,465	 \$ 158,540	 \$ 66,314,300

ROWAN 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	\$ 12,500	10 - 60
Buildings and Building Improvements	\$ 25,000	10 - 75
Equipment	\$ 2,500	3 - 25
Vehicles	\$ 2,500	3 - 25
Infrastructure	\$ 20,000	10 - 50

Note 2. Restatement of Capital Asset Beginning Balance

The prior year beginning balance for vehicles was restated and increased by \$45,790 to account for prior year omissions.

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

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 Harry Clark, Rowan County Judge/Executive
Members of the Rowan 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 Rowan County Fiscal Court for the fiscal year ended June 30, 2022 and the related notes to the financial statement which collectively comprise the Rowan County Fiscal Court's financial statement and have issued our report thereon dated April 3, 2023.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified a certain deficiency in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2022-001 to be a material weakness.



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

Internal Control Over Financial Reporting (Continued)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2022-002 to be a significant deficiency.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Rowan County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2002-003.

Views of Responsible Officials and Planned Corrective Action

Rowan 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

April 3, 2023

**ROWAN COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2022

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**ROWAN COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2022

FINANCIAL STATEMENT FINDINGS:

2022-001 The Rowan County Fiscal Court Did Not Have Adequate Controls Over Revolving Accounts

The fiscal court did not have adequate controls over revolving accounts. Revolving accounts were reconciled on a monthly basis; however, they were not balanced to zero. Furthermore, an employee of the county was able to write checks to herself totaling \$13,827 during the fiscal year ended June 30, 2022.

The fiscal court had implemented procedures and oversight regarding revolving accounts; however, a former employee was able to write checks to herself and go undetected for an extended period of time. Furthermore, monthly bank reconciliations for the insurance revolving account were prepared by the same person that was writing checks to herself.

From July 1, 2021 through February 28, 2022, checks in the amount of \$13,827 were written out of the insurance revolving account to an employee of the county. In March 2022, this was detected when another employee of the county received and opened the monthly bank statement. While performing the review, it was discovered that checks had been written to the employee responsible for maintaining the insurance revolving account. Upon noticing these fraudulent checks, the concern was reported to management who in turn contacted the appropriate authorities to investigate. Once confronted, the employee admitted to what she had done and she was subsequently terminated from her employment. On June 3, 2022, the Rowan County grand jury returned an indictment against the former employee and she has been formally arraigned on these charges as of February 17, 2023.

Strong internal controls over revolving accounts requires all items that affect the account to be properly summarized and included on the reconciliation whether or not those transactions have occurred or are due to occur in the future. Reconciliations should then be reviewed by another person to ensure accuracy and completeness.

We recommend the fiscal court review and update internal control and oversight procedures to ensure that revolving accounts are properly reconciled and reviewed on a monthly basis. This matter will be referred to the Office of the Attorney General.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The discrepancy was discovered internally and had been ongoing for numerous years, across different administrations. Once discovered the employee was terminated and charged and amended adequate controls were implemented within a week after the revolving account discrepancy was found. The amended controls included the Payroll Clerk reconciling the payroll bank statements and County Treasurer reviewing and signing once completed. The County Treasurer reconciles all other bank statements with secondary review and signature from the County Finance Officer.

To correct the insurance clearing account, we have replaced the previous third party HRA administrator with a new third party HRA administrator who provides on demand, detailed monthly or weekly reports. The account will have a zero balance once excess funds have been expended with the new administrator. A new, separate account has been created for the new HRA Administrator.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2022-002 The Rowan County Jailer Paid Additional Compensation To Jail Employees For Conducting Classes At the Jail

The Rowan County Jailer paid two jail employees additional compensation in the amount of \$29,400 for conducting moral reconnection therapy (MRT) classes at the jail. The employees taught the MRT classes while on the clock as jail employees. This additional compensation was not processed through payroll and was not included on the employees' W-2s. The jailer was unaware that the additional compensation needed to be processed through payroll. As a result, the amounts listed as wages earned on the employees' W-2s are incorrect.

Controls should be put in place to ensure employees compensation is properly documented. If a different arrangement is agreed upon, a written job description and/or contract should be on file for the employee.

We recommend all compensation for employees be processed through payroll to ensure compensation earned on the W-2s are correct. This matter will be referred to the Department of Revenue.

Views of Responsible Official and Planned Corrective Action:

Jailer's Response: We have set up a line item jail budget effectively July 1, 2023 for MRT training reimbursement. It will be ran through the clerks office and payroll deductions will be taken out. I spoke with Division of Labor this morning (name redacted) and he stated he did not see a problem with the jail employees teaching the class during the day and being paid two different wages at the same period.

2022-003 The Rowan County Jailer Did Not Comply With Bidding Requirements For The Purchase Of Electronic Cigarettes And Nicotine Pouches

The Rowan County Jailer paid a total of \$53,318 to a single vendor for nicotine pouches purchased for resale through the jail commissary fund without obtaining bids. Also, the Rowan County Jailer advertised for bids for electronic cigarettes, but the bid price did not agree to price paid. The accepted bid price for e-cigarettes was \$3.75, however the price paid to the vendor was \$4.00.

The jailer was unaware that the nicotine pouches exceeded \$30,000, therefore requiring bidding, and the bid price did not agree to the amount paid for the electronic cigarettes. By not bidding all items required the jailer cannot ensure that he purchases these items at the best price available without obtaining bids.

According to Section 620.1 of the county's administrative code, "Materials and equipment costing over the dollar amount specified in KRS Chapter 424.260 must be advertised for bid in accordance with KRS Chapter 424." KRS 424.260(1) states, "[e]xcept where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract, lease, or other agreement for: (a) Materials; (b) Supplies, except perishable foods such as meat, poultry, fish, egg products, fresh vegetables, and fresh fruits; (c) Equipment; or (d) Contractual services other than professional; involving an expenditure of more than thirty thousand dollars (\$30,000) without first making newspaper advertisement for bids." Also good internal controls include a process to review invoices to verify amount billed agrees to bid price.

We recommend the fiscal court and jailer 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:

Jailer's Response: E-cigarettes were bid in January 2023. The nicotine pouches are to be bid this month.

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

ROWAN COUNTY FISCAL COURT

For The Year Ended June 30, 2022

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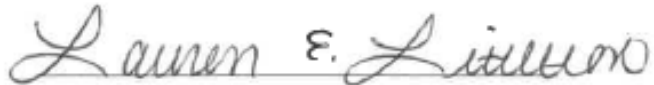
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
ROWAN COUNTY FISCAL COURT

For The Year Ended June 30, 2022

The Rowan 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 black ink, appearing to be "A. J. [unclear]", written over a horizontal line.

County Judge/Executive

A handwritten signature in black ink, appearing to be "Lauren E. Linton", written over a horizontal line.

County Treasurer