

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



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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

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

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

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 Todd 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 May 11, 2023, on our consideration of the Todd 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 Todd 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
The Honorable Todd Mansfield, Todd County Judge/Executive
Members of the Todd 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 Todd County Fiscal Court Failed To Implement Adequate Internal Controls To Ensure Complete And Accurate Accounting Records Were Maintained
- 2022-002 The Todd County Fiscal Court Did Not Have Adequate Controls Over Disbursements
- 2022-003 The Todd County Fiscal Court Failed To Approve All Cash Transfers
- 2022-004 The Todd County Fiscal Court's Schedule Of Leases Was Materially Misstated
- 2022-005 The Todd County Jail Does Not Have Adequate Segregation Of Duties Over The Jail Commissary And Inmate Accounts

Respectfully submitted,

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

Mike Harmon
Auditor of Public Accounts
Frankfort, Ky

May 11, 2023

TODD COUNTY OFFICIALS
For The Year Ended June 30, 2022

Fiscal Court Members:

Todd Mansfield	County Judge/Executive
Alred Blake	Magistrate
Billy Bryant	Magistrate
John Camp (Retired 12/31/2021)	Magistrate
Ethan Chester (Appointed by Governor 1/1/2022)	Magistrate
Brent Sprulin	Magistrate
James Turner	Magistrate

Other Elected Officials:

Jeff Traughber	County Attorney
Jeff Penick	Jailer
Cynthia O'Bryan	County Clerk
Mark Cowherd	Circuit Court Clerk
Tracy White	Sheriff
Perry Stokes	Property Valuation Administrator
Timothy Wells	Coroner

Appointed Personnel:

Tammy Robertson (Retired 12/31/2021)	County Treasurer
Misty Carlock (Appointed 1/1/2022)	County Treasurer

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

For The Year Ended June 30, 2022

TODD 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	\$ 2,659,972	\$	\$
In Lieu Tax Payments	126,596		
Excess Fees	271,684		
Licenses and Permits	6,942		
Intergovernmental	86,521	1,592,333	1,295,913
Charges for Services			45,228
Miscellaneous	155,518	40,074	193,309
Interest	8,596	1,673	374
Total Receipts	<u>3,315,829</u>	<u>1,634,080</u>	<u>1,534,824</u>
DISBURSEMENTS			
General Government	1,235,880	106,876	
Protection to Persons and Property	72,208		1,382,039
General Health and Sanitation	25,238		
Social Services	123,304		
Recreation and Culture	71,954		
Roads		1,384,004	
Debt Service			434,587
Capital Projects	41	157,786	
Administration	305,858	218,878	401,219
Total Disbursements	<u>1,834,483</u>	<u>1,867,544</u>	<u>2,217,845</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,481,346</u>	<u>(233,464)</u>	<u>(683,021)</u>
Other Adjustments to Cash (Uses)			
Tax Revenue Anticipation Note Proceeds			
Transfers From Other Funds	105,000		660,117
Transfers To Other Funds	(945,012)		
Total Other Adjustments to Cash (Uses)	<u>(840,012)</u>		<u>660,117</u>
Net Change in Fund Balance	641,334	(233,464)	(22,904)
Fund Balance - Beginning (Restated)	<u>2,186,192</u>	<u>410,899</u>	<u>134,141</u>
Fund Balance - Ending	<u>\$ 2,827,526</u>	<u>\$ 177,435</u>	<u>\$ 111,237</u>
Composition of Fund Balance			
Bank Balance	\$ 2,850,352	\$ 194,515	\$ 137,832
Less: Outstanding Checks	(22,826)	(17,080)	(26,595)
Certificates of Deposit			
Fund Balance - Ending	<u>\$ 2,827,526</u>	<u>\$ 177,435</u>	<u>\$ 111,237</u>

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

TODD 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	Federal Grants Fund	Ambulance Fund	Forestry Fund	Solid Waste Fund	Economic Assistance Fund	Dispatch Fund
\$	\$	\$	\$ 1,353	\$	\$ 958,162	\$ 56,235
				62,560		
783	12,100	20,800		29,848		194,145
				26,095		16,503
		7,324		241,888		
206		339	206	287	1,105	237
989	12,100	28,463	1,559	360,678	959,267	267,120
	4,200					
1,558		226,429	1,038			315,922
				346,963		
					839,095	
					1,528,782	
		14,800		23,943		108,079
1,558	4,200	241,229	1,038	370,906	2,367,877	424,001
(569)	7,900	(212,766)	521	(10,228)	(1,408,610)	(156,881)
		42,332		187,000	1,528,782	125,000
				(162,000)		
		42,332		25,000	1,528,782	125,000
(569)	7,900	(170,434)	521	14,772	120,172	(31,881)
7,852		170,434	6,314	86,161	1,185,898	50,367
\$ 7,283	\$ 7,900	\$ 0	\$ 6,835	\$ 100,933	\$ 1,306,070	\$ 18,486
\$ 7,283	\$ 7,900	\$ 574	\$ 6,835	\$ 110,138	\$ 1,306,070	\$ 19,785
		(574)		(9,205)		(1,299)
\$ 7,283	\$ 7,900	\$ 0	\$ 6,835	\$ 100,933	\$ 1,306,070	\$ 18,486

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

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

	Budgeted Funds		
	American Rescue Plan Act Fund	Judicial Fund	Contingency Fund
RECEIPTS			
Taxes	\$	\$	\$
In Lieu Tax Payments			
Excess Fees			
Licenses and Permits			
Intergovernmental	1,193,983	16,458	
Charges for Services			
Miscellaneous	15	213,196	
Interest	2,533	206	19,242
Total Receipts	<u>1,196,531</u>	<u>229,860</u>	<u>19,242</u>
DISBURSEMENTS			
General Government		186,612	
Protection to Persons and Property			
General Health and Sanitation			
Social Services			
Recreation and Culture			
Roads			
Debt Service			
Capital Projects			
Administration		54,428	
Total Disbursements		<u>241,040</u>	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,196,531</u>	<u>(11,180)</u>	<u>19,242</u>
Other Adjustments to Cash (Uses)			
Tax Revenue Anticipation Note Proceeds			414,680
Transfers From Other Funds			(427,117)
Transfers To Other Funds			
Total Other Adjustments to Cash (Uses)			<u>(12,437)</u>
Net Change in Fund Balance	1,196,531	(11,180)	6,805
Fund Balance - Beginning (Restated)	<u>1,194,125</u>	<u>60,370</u>	<u>2,829,135</u>
Fund Balance - Ending	<u>\$ 2,390,656</u>	<u>\$ 49,190</u>	<u>\$ 2,835,940</u>
Composition of Fund Balance			
Bank Balance	\$ 2,390,656	\$ 53,962	\$ 2,294,165
Less: Outstanding Checks		(4,772)	
Certificates of Deposit			541,775
Fund Balance - Ending	<u>\$ 2,390,656</u>	<u>\$ 49,190</u>	<u>\$ 2,835,940</u>

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

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

Unbudgeted Funds		
Public		
Properties		
Corporation	Jail	
Judicial Center	Commissary	Total
Fund	Fund	Funds
\$	\$	\$ 3,675,722
		126,596
		271,684
		69,502
791,294		5,234,178
		87,826
	121,092	972,416
7		35,011
791,301	121,092	10,472,935
		1,533,568
		1,999,194
		372,201
		123,304
	75,404	147,358
		1,384,004
791,294		2,064,976
		1,686,609
		1,127,205
791,294	75,404	10,438,419
7	45,688	34,516
		1,528,782
		1,534,129
		(1,534,129)
		1,528,782
7	45,688	1,563,298
2,037	123,028	8,446,953
\$ 2,044	\$ 168,716	\$ 10,010,251
\$ 2,044	\$ 171,258	\$ 9,553,369
	(2,542)	(84,893)
		541,775
\$ 2,044	\$ 168,716	\$ 10,010,251

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

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TO THE FINANCIAL STATEMENT**

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**TODD COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2022

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

TODD 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)

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

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are grants from the state and federal governments.

Federal Grants Fund - The primary purpose of this fund is to account for federal grants.

Ambulance Fund - The primary purpose of this fund is to account for ambulance service disbursements of the county. The primary source of receipts for this fund is ambulance service billings.

Forestry Fund - The primary purpose of this fund is to account for the taxes collected and to pay for related disbursements to prevent forest fires.

Solid Waste Fund - The primary purpose of this fund is to account for garbage collection disbursements of the county. The primary sources of receipts for this fund are annual and monthly fees from solid waste customers.

Economic Assistance Fund - The primary purpose of this fund is to account for the taxes collected for the Novelis project.

Dispatch Fund - The primary purpose of this fund is to account for the dispatch expense of the county. The primary sources of receipts for this fund are the 911 telephone surcharge.

American Rescue Plan Act Fund - The primary purpose of this fund is to account for the activity related to the American Rescue Plan Act (ARPA) passed in 2021. The primary sources of receipts for this fund are federal grant monies.

Judicial Fund - The primary purpose of this fund is to account for the disbursements for the justice center. The primary sources of receipts for this fund are rental fees received from the Kentucky Administrative Office of the Courts (AOC).

Contingency Fund - The primary purpose of this fund is to account for investments (certificates of deposit) and the interest earned on the certificates of deposit.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Public Properties Corporation Judicial Center Fund - The primary purpose of this fund is to account for the proceeds and debt service of the judicial center.

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Unbudgeted Funds (Continued)

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

D. Budgetary Information

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

The county judge/executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

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 judicial center fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

E. Todd County Elected Officials

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

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

TODD 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.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of the DLG *County Budget Preparation and State Local Finance Officer Policy Manual*. On June 30, 2022, public funds were exposed to custodial credit risk because the bank did not adequately collateralize the fiscal court's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured \$33,643

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

Note 3. Transfers

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

	General Fund	Solid Waste Fund	Contingency Fund	Total Transfers In
General Fund	\$	\$	\$ 105,000	\$ 105,000
Jail Fund	500,000		160,117	660,117
Ambulance Fund	42,332			42,332
Solid Waste Fund	25,000		162,000	187,000
Dispatch Fund	125,000			125,000
Contingency Fund	252,680	162,000		414,680
Total Transfers Out	<u>\$ 945,012</u>	<u>\$ 162,000</u>	<u>\$ 427,117</u>	<u>\$ 1,534,129</u>

Reason for transfers:

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

Note 4. Custodial Funds

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

The fiscal court has the following custodial funds:

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 \$26,485.

Grant Fund - This fund accounts for grant funds received from Novelis to be paid by the fiscal court to various organizations within Todd County. The balance in the grant fund as of June 30, 2022 was \$192.

Note 5. Leases

Lessor

1. Todd County Extension Office

In the mid-1970's when the Todd County Courthouse was built, the Todd County Fiscal Court began leasing office space to the Todd County Extension office. This lease is a year-to-year lease and the Todd County Fiscal Court will receive annual payments of \$24,000. The Todd County Fiscal Court recognized \$24,300 in lease revenue during the current fiscal year related to this lease.

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

Note 5. Leases (Continued)

Lessor (Continued)

2. Administrative Office of the Courts

On December 1, 2017, the Todd County Fiscal Court began leasing office space in the Todd County Justice Center to the Administrative Office of the Courts. This lease is for 13 years and the Todd County Fiscal Court will receive bi-annual payments in amounts equal to the debt service requirements of the First Mortgage Refunding Revenue Bonds, Series 2017. The Todd County Fiscal Court recognized \$791,294 in lease revenue during the current fiscal year related to this lease.

Note 6. Short-term Debt

A. Direct Borrowings and Direct Placements

1. Tax Revenue Anticipation Note, Series 2022

On February 1, 2022, the Todd County Fiscal Court entered into an agreement with Elkton Bank and Trust Company in the amount of \$1,528,782 for a tax revenue anticipation note to be used to purchase additional land for the Novelis project. The interest rate is fixed at 2.50%. One payment of all outstanding principal plus all accrued unpaid interest is due on June 30, 2022.

As security and source of payment of this note and the interest thereon the county hereby pledges, signs and grants to the owner, a security interest in the following:

- (1) the pledge receipts (as defined in the resolution); and
- (2) all proceedings of the foregoing.

The balance on the line of credit as of June 30, 2022 was \$1,528,782. This note was paid off on July 1, 2022 with the issuance of Tax Revenue Anticipation Note, Series 2022B.

B. Changes In Short-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ _____	\$ 1,528,782	\$ _____	\$ 1,528,782	\$ 1,528,782
Total Short-term Debt	\$ 0	\$ 1,528,782	\$ 0	\$ 1,528,782	\$ 1,528,782

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

Note 7. Long-term Debt

A. Direct Borrowings and Direct Placements

1. Detention Center Renovations

On November 30, 2012, the Todd County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Finance Corporation for \$425,000 at variable interest rates for a period of 15 years. The agreement requires monthly interest payments and annual principal payments. The purpose of the agreement was to refinance the Series 2007 Kentucky Public Agency Development Lease Certificates of Participation originally issued for the renovation and additions to the jail. As of June 30, 2022, the principal balance was \$0.

2. General Obligation Public Project Bonds – Novelis Project Phase I

On May 1, 2018, the Todd County Fiscal Court issued General Obligation Public Project Bonds, Series 2018, through Kentucky Association of Counties Finance Corporation, in the amount of \$4,945,000, for the purpose of financing the acquisition of land for the upcoming Novelis aluminum plant. Interest payments are due June 20 and December 20 beginning June 20, 2018. Principal payments are due every December 20 beginning December 20, 2020. The final installment is due on December 20, 2037. These bonds were issued at various interest rates.

The Todd County Fiscal Court receives all incremental ad valorem and occupational license tax revenue generated by this project, and utilizes it to repay the bonds, pursuant to an interlocal agreement with the City of Guthrie. As part of an interlocal agreement with the City of Guthrie and the Todd County Industrial Foundation, the Todd County Fiscal Court also committed any incremental ad valorem and occupational tax revenue from this project to pay for the financing.

The Todd County Fiscal Court has also entered into an agreement with Novelis to ensure that the taxes generated by the business will exceed the debt payments. If they do not, Novelis has agreed to make a shortfall payment in order to mitigate the differences.

If an event of default occurs and continues beyond a period of 30 days following notice of default given in writing to such defaulting party by any other party hereto or by a beneficiary hereof as identified in Section 4(G) of the agreement, the non-defaulting party or any such beneficiary may (and, at the request of the participating underwriter or the holders of at least 25% aggregate principal amount of outstanding corporation bonds, the non-defaulting party shall), enforce the obligations of the defaulting party under this agreement; provided, however, the sole remedy available in any proceeding to enforce this agreement shall be an action in mandamus, for specific performance or similar remedy to compel performance.

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

Note 7. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

2. General Obligation Public Project Bonds – Novelis Project Phase I (Continued)

As of June 30, 2022, the principal balance was \$4,650,000. Future principal and interest requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>	<u>Scheduled Expenses</u>
2023	\$ 200,000	\$ 187,841	\$ 12,937
2024	210,000	178,591	12,437
2025	225,000	167,716	11,913
2026	235,000	156,216	11,350
2027	250,000	144,091	10,763
2028-2032	1,420,000	551,857	43,862
2033-2037	1,720,000	271,553	24,700
2038	<u>390,000</u>	<u>9,474</u>	<u>2,288</u>
Totals	<u>\$ 4,650,000</u>	<u>\$ 1,667,339</u>	<u>\$ 130,250</u>

3. General Obligation Public Project Bonds – Novelis Project Phase II

On September 20, 2018, the Todd County Fiscal Court issued General Obligation Public Project Bonds, Series 2018, through Kentucky Association of Counties Finance Corporation, in the amount of \$3,305,000, for the purpose of financing the acquisition of land for the upcoming Novelis aluminum plant. Interest payments are due June 20 and December 20 beginning December 20, 2018. Principal payments are due every December 20 beginning December 20, 2021. The final installment is due on December 20, 2038. These bonds were issued at various interest rates.

The Todd County Fiscal Court receives all of the incremental ad valorem and occupational license tax revenue generated by this project, and utilizes it to repay the bonds, pursuant to an interlocal agreement with the City of Guthrie. As part of an interlocal agreement with the City of Guthrie and the Todd County Industrial Foundation, the Todd County Fiscal Court also committed any incremental ad valorem and occupational tax revenue from this project to pay for the financing.

The Todd County Fiscal Court also entered into an agreement with Novelis to ensure that the taxes generated by the business will exceed the debt payments. If they do not, Novelis has agreed to make a shortfall payment in order to mitigate the differences.

If an event of default occurs and continues beyond a period of 30 days following notice of default given in writing to such defaulting party by any other party hereto or by a beneficiary hereof as identified in Section 4(G) of the agreement, the non-defaulting party or any such beneficiary may (and, at the request of the participating underwriter or the holders of at least 25% aggregate principal amount of outstanding corporation bonds, the non-defaulting party shall), enforce the obligations of the defaulting party under this agreement; provided, however, the sole remedy available in any proceeding to enforce this agreement shall be an action in mandamus, for specific performance or similar remedy to compel performance.

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

Note 7. Long-term Debt (Continued)

A. Direct Borrow and Direct Placements (Continued)

3. General Obligation Public Project Bonds – Novelis Project Phase II (Continued)

As of June 30, 2022, the principal balance was \$3,250,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest	Scheduled Expenses
2023	\$ 130,000	\$ 135,148	\$ 9,200
2024	135,000	128,523	8,875
2025	145,000	121,523	8,538
2026	150,000	114,148	8,175
2027	160,000	106,398	7,800
2028-2032	915,000	415,053	32,587
2033-2037	1,105,000	227,203	20,263
2038-2039	510,000	24,084	4,075
Totals	<u>\$ 3,250,000</u>	<u>\$ 1,272,080</u>	<u>\$ 99,513</u>

B. Other Debt

1. General Obligation Refunding Bonds, Series 2015

On March 24, 2015, the Todd County Fiscal Court issued General Obligation Refunding Bonds in order to refund the General Obligation Improvement Bonds, Series 2006, which were issued to finance the construction of the detention center. The total bond issued was \$3,850,000, with interest rates of 2.50 to 3.50 percent. Principal payments are due annually, beginning February 1, 2016, with the final payment due on February 1, 2038. Interest is payable each August 1 and February 1, beginning on August 1, 2016.

In the event of a failure of the county to comply with any provision of this agreement, the bondholder of any bond may seek specific performance by court order to cause the county to comply with its obligations under this agreement. A default under this agreement shall not be deemed an event of default under the indenture or the loan agreement or any other agreement, and the sole remedy under this agreement in the event of any failure of the county to comply with this agreement shall be an action to compel performance.

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

Note 7. Long-term Debt (Continued)

B. Other Debt (Continued)

1. General Obligation Refunding Bonds, Series 2015 (Continued)

As of June 30, 2022, the principal balance was \$3,020,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2023	\$ 145,000	\$ 94,613
2024	150,000	90,263
2025	155,000	85,763
2026	160,000	81,112
2027	160,000	77,112
2028-2032	905,000	312,831
2033-2037	1,095,000	158,350
2038	250,000	8,750
Totals	<u>\$ 3,020,000</u>	<u>\$ 908,794</u>

2. First Mortgage Revenue Refunding Bonds, Series 2017

On December 21, 2017, the Todd County Public Properties Corporation issued First Mortgage Revenue Refunding Bonds, (Court Facilities Project), Series 2017. The proceeds were used for the purpose of refunding \$6,440,000 of the First Mortgage Revenue Refunding Bonds, Series 2010. The total bond issue was \$6,810,000 with interest rates of 2 percent, 2.125 percent, and 3 percent beginning December 2020 through December 2029.

The Kentucky Administrative Office of the Courts (AOC) has agreed to a biannual lease that will cover the debt costs and will be paid to the paying agent on behalf of the county as required by a use and sublease agreement between the county and AOC dated December 1, 2017.

Under the terms of the lease agreement, AOC has agreed to annually pay directly to the paying agent for the bonds approximately 100 percent of the net debt service, the stated use allowance payment, subject to constitutional restrictions limiting the commitment to state agencies to the then current biennial period; said amount to be applied only to the principal of and interest on the bonds so long as the county renews the lease. Under the lease, the corporation has pledged and assigned all of its rights under the lease agreement to the trustee in order to secure the bonds.

AOC, with the execution of the lease agreement, will have expressed its intention to pay the full use allowance payment in each successive biennial budget period until December 1, 2029. In addition, the current policy of AOC provides for the continuation of one-half of the rental payments as long as AOC occupies said space of the project, past the maturity of the bonds. AOC will covenant that it intends to request funding from the Kentucky General Assembly each biennium and to use the proceeds of such funding and/or revenues from other sources to pay such use allowance payment each year.

In addition to the use allowance payment, certain expenses attributable to maintaining and operating the building for the use of AOC are paid by the county.

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

Note 7. Long-term Debt (Continued)

B. Other Debt (Continued)

2. First Mortgage Revenue Refunding Bonds, Series 2017 (Continued)

Upon the happening and continuance of any event of default, the trustee may, subject to its right to be indemnified to its satisfaction, proceed to protect, and enforce its rights and the rights of the bond owners by such of the following remedies, as the trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

- (a) by enforcement of the foreclosable mortgage lien on the project and improvements granted by this mortgage, and in such event the trustee 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 for the benefit of the owners of the bonds; 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 trustee, 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 bond owners, 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 bond owners 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; by declaring all bonds due and payable, and if all defaults shall be made good, then, with the written consent of the owners of not less than 50% in principal amount of the outstanding bonds, by annulling such declaration and its consequences;
- (f) 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 for the use and benefit of the owners of the bonds.

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

Note 7. Long-term Debt (Continued)

B. Other Debt (Continued)

2. First Mortgage Revenue Refunding Bonds, Series 2017 (Continued)

As of June 30, 2022, the principal balance was \$5,660,000. Future principal and interest requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2023	\$ 645,000	\$ 144,393
2024	660,000	131,344
2025	675,000	117,572
2026	690,000	100,050
2027	715,000	78,975
2028-2030	<u>2,275,000</u>	<u>103,725</u>
Totals	<u>\$ 5,660,000</u>	<u>\$ 676,059</u>

C. 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>
Direct Borrowings and Direct Placements	\$ 8,340,000	\$	\$ 440,000	\$ 7,900,000	\$ 330,000
Other Debt	<u>9,450,000</u>		<u>770,000</u>	<u>8,680,000</u>	<u>790,000</u>
Total Long-term Debt	<u>\$ 17,790,000</u>	<u>\$ 0</u>	<u>\$ 1,210,000</u>	<u>\$16,580,000</u>	<u>\$ 1,120,000</u>

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

Note 7. Long-term Debt (Continued)

D. 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		Direct Borrowings and Direct Placements		
	Principal	Interest	Principal	Interest	Expenses
2023	\$ 790,000	\$ 239,006	\$ 330,000	\$ 322,989	\$ 22,137
2024	810,000	221,607	345,000	307,114	21,312
2025	830,000	203,335	370,000	289,239	20,451
2026	850,000	181,162	385,000	270,364	19,525
2027	875,000	156,087	410,000	250,489	18,563
2028-2032	3,180,000	416,556	2,335,000	966,910	76,449
2033-2037	1,095,000	158,350	2,825,000	498,756	44,963
2038-2039	250,000	8,750	900,000	33,558	6,363
Totals	<u>\$ 8,680,000</u>	<u>\$ 1,584,853</u>	<u>\$ 7,900,000</u>	<u>\$ 2,939,419</u>	<u>\$ 229,763</u>

Note 8. Contingencies

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

Note 9. Employee Retirement System

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (Ky. Ret. Sys.). This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Effective April 1, 2021, the Kentucky Public Pension Authority (KPPA) was created by KRS 61.505 to provide staffing and daily administrative needs for CERS and Ky. Ret. Sys. The CERS nine (9) member board of trustees is responsible for the governance of the CERS pension and insurance plans.

The county's contribution for FY 2020 was \$370,591, FY 2021 was \$392,854, and FY 2022 was \$393,891.

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.

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

Note 9. Employee Retirement System (Continued)

Nonhazardous (Continued)

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:

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.

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

Note 9. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

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

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.

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.

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

Note 10. Deferred Compensation

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

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

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

Note 11. Insurance

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

Note 12. Subsequent Events

On July 1, 2022, the Todd County Fiscal Court entered into an agreement with Elkton Bank and Trust Company in the amount of \$1,528,782 for a Tax Revenue Anticipation Note, Series 2022B to refinance the Tax Revenue Anticipation Note, Series 2022. One payment of all outstanding principal plus all accrued unpaid interest is due on June 30, 2023.

Note 13. Conduit Debt

From time to time, the county has issued (bonds, notes, etc.) to provide financial assistance to third parties that are not part of the issuer's financial reporting entity 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 Todd 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.

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

Note 14. Prior Period Adjustments

	General Fund	Jail Fund	Economic Assistance Fund
Ending Fund Balance Prior Year	\$ 2,176,479	\$ 133,763	\$ 1,383,090
Drug Account	5,673		
EMA Account	4,040		
Bond Account		334	
Prior Year Voided Check		44	
Omitted Outstanding Liabilities			(197,192)
Beginning Fund Balance Restated	<u>\$ 2,186,192</u>	<u>\$ 134,141</u>	<u>\$ 1,185,898</u>

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TODD COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2022

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TODD 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	\$ 2,535,250	\$ 2,535,250	\$ 2,659,972	\$ 124,722
In Lieu Tax Payments	140,000	140,000	126,596	(13,404)
Excess Fees	53,135	53,135	271,684	218,549
Licenses and Permits	6,000	6,000	6,942	942
Intergovernmental	26,575	261,325	86,521	(174,804)
Miscellaneous	128,150	128,750	155,518	26,768
Interest	15,000	15,000	8,596	(6,404)
Total Receipts	2,904,110	3,139,460	3,315,829	176,369
DISBURSEMENTS				
General Government	974,375	1,307,315	1,235,880	71,435
Protection to Persons and Property	66,300	91,800	72,208	19,592
General Health and Sanitation	26,400	26,400	25,238	1,162
Social Services	114,000	228,007	123,304	104,703
Recreation and Culture	34,000	72,727	71,954	773
Capital Projects			41	(41)
Administration	444,100	316,268	305,858	10,410
Total Disbursements	1,659,175	2,042,517	1,834,483	208,034
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	1,244,935	1,096,943	1,481,346	384,403
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			105,000	105,000
Transfers To Other Funds	(1,820,320)	(1,820,320)	(945,012)	875,308
Total Other Adjustments to Cash (Uses)	(1,820,320)	(1,820,320)	(840,012)	980,308
Net Change in Fund Balance	(575,385)	(723,377)	641,334	1,364,711
Fund Balance - Beginning (Restated)	575,385	1,047,695	2,186,192	1,138,497
Fund Balance - Ending	\$ 0	\$ 324,318	\$ 2,827,526	\$ 2,503,208

TODD 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	\$ 1,595,735	\$ 1,895,735	\$ 1,592,333	\$ (303,402)
Miscellaneous	13,500	13,500	40,074	26,574
Interest			1,673	1,673
Total Receipts	<u>1,609,235</u>	<u>1,909,235</u>	<u>1,634,080</u>	<u>(275,155)</u>
DISBURSEMENTS				
General Government	94,800	98,300	106,876	(8,576)
Roads	1,479,795	1,472,087	1,384,004	88,083
Capital Projects	200,000	502,558	157,786	344,772
Administration	242,600	244,250	218,878	25,372
Total Disbursements	<u>2,017,195</u>	<u>2,317,195</u>	<u>1,867,544</u>	<u>449,651</u>
Net Change in Fund Balance	(407,960)	(407,960)	(233,464)	174,496
Fund Balance - Beginning	<u>407,960</u>	<u>407,960</u>	<u>410,899</u>	<u>2,939</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 177,435</u>	<u>\$ 177,435</u>

TODD 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	\$ 1,218,350	\$ 1,218,350	\$ 1,295,913	\$ 77,563
Charges for Services	14,600	14,600	45,228	30,628
Miscellaneous	93,300	93,300	193,309	100,009
Interest			374	374
Total Receipts	<u>1,326,250</u>	<u>1,326,250</u>	<u>1,534,824</u>	<u>208,574</u>
DISBURSEMENTS				
Protection to Persons and Property	1,501,640	1,457,620	1,382,039	75,581
Debt Service	275,000	434,253	434,587	(334)
Administration	471,400	471,400	401,219	70,181
Total Disbursements	<u>2,248,040</u>	<u>2,363,273</u>	<u>2,217,845</u>	<u>145,428</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(921,790)</u>	<u>(1,037,023)</u>	<u>(683,021)</u>	<u>354,002</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>921,790</u>	<u>921,790</u>	<u>660,117</u>	<u>(261,673)</u>
Total Other Adjustments to Cash (Uses)	<u>921,790</u>	<u>921,790</u>	<u>660,117</u>	<u>(261,673)</u>
Net Change in Fund Balance		(115,233)	(22,904)	92,329
Fund Balance - Beginning (Restated)			<u>134,141</u>	<u>134,141</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (115,233)</u>	<u>\$ 111,237</u>	<u>\$ 226,470</u>

TODD 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	\$ 945	\$ 945	\$ 783	\$ (162)
Interest			206	206
Total Receipts	945	945	989	44
DISBURSEMENTS				
General Government	2,500	2,500		2,500
Protection to Persons and Property	1,600	1,600	1,558	42
Total Disbursements	4,100	4,100	1,558	2,542
Net Change in Fund Balance	(3,155)	(3,155)	(569)	2,586
Fund Balance - Beginning	3,155	3,155	7,852	4,697
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7,283</u>	<u>\$ 7,283</u>

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

FEDERAL GRANTS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)
	Original	Final	
			Variance with Final Budget Positive (Negative)
RECEIPTS			
Intergovernmental	\$	\$ 12,100	\$ 12,100
Total Receipts		12,100	12,100
DISBURSEMENTS			
General Government		12,100	4,200
Total Disbursements		12,100	4,200
Net Change in Fund Balance			7,900
Fund Balance - Beginning			
Fund Balance - Ending	\$ 0	\$ 0	\$ 7,900

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

	AMBULANCE FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 10,000	\$ 10,000	\$ 20,800	\$ 10,800
Miscellaneous	7,000	7,000	7,324	324
Interest			339	339
Total Receipts	17,000	17,000	28,463	11,463
DISBURSEMENTS				
Protection to Persons and Property	390,500	390,500	226,429	164,071
Administration	15,500	15,500	14,800	700
Total Disbursements	406,000	406,000	241,229	164,771
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(389,000)	(389,000)	(212,766)	176,234
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	229,000	229,000	42,332	(186,668)
Total Other Adjustments to Cash (Uses)	229,000	229,000	42,332	(186,668)
Net Change in Fund Balance	(160,000)	(160,000)	(170,434)	(10,434)
Fund Balance - Beginning	160,000	160,000	170,434	10,434
Fund Balance - Ending	\$ 0	\$ 0	\$ 0	\$ 0

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

FORESTRY FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 1,500	\$ 1,500	\$ 1,353	\$ (147)
Interest			206	206
Total Receipts	1,500	1,500	1,559	59
DISBURSEMENTS				
Protection to Persons and Property	1,500	1,500	1,038	462
Total Disbursements	1,500	1,500	1,038	462
Net Change in Fund Balance			521	521
Fund Balance - Beginning			6,314	6,314
Fund Balance - Ending	\$ 0	\$ 0	\$ 6,835	\$ 6,835

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

SOLID WASTE FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Licenses and Permits	\$ 66,000	\$ 66,000	\$ 62,560	\$ (3,440)
Intergovernmental	26,000	26,000	29,848	3,848
Charges for Services	21,000	21,000	26,095	5,095
Miscellaneous	3,000	3,000	241,888	238,888
Interest			287	287
Total Receipts	116,000	116,000	360,678	244,678
DISBURSEMENTS				
General Health and Sanitation	212,750	393,218	346,963	46,255
Administration	28,450	29,830	23,943	5,887
Total Disbursements	241,200	423,048	370,906	52,142
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(125,200)	(307,048)	(10,228)	296,820
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	125,200	125,200	187,000	61,800
Transfers To Other Funds			(162,000)	(162,000)
Total Other Adjustments to Cash (Uses)	125,200	125,200	25,000	(100,200)
Net Change in Fund Balance		(181,848)	14,772	196,620
Fund Balance - Beginning		19,848	86,161	66,313
Fund Balance - Ending	\$ 0	\$ (162,000)	\$ 100,933	\$ 262,933

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

ECONOMIC ASSISTANCE FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 622,600	\$ 622,600	\$ 958,162	\$ 335,562
Licenses and Permits	2,300	2,300		(2,300)
Interest			1,105	1,105
Total Receipts	624,900	624,900	959,267	334,367
DISBURSEMENTS				
Debt Service		896,000	839,095	56,905
Capital Projects	624,900		1,528,782	(1,528,782)
Total Disbursements	624,900	896,000	2,367,877	(1,471,877)
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(271,100)	(1,408,610)	(1,137,510)
Other Adjustments to Cash (Uses)				
Tax Revenue Anticipation Note Proceeds			1,528,782	1,528,782
Total Other Adjustments to Cash (Uses)			1,528,782	1,528,782
Net Change in Fund Balance		(271,100)	120,172	391,272
Fund Balance - Beginning (Restated)			1,185,898	1,185,898
Fund Balance - Ending	\$ 0	\$ (271,100)	\$ 1,306,070	\$ 1,577,170

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

	DISPATCH FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 60,000	\$ 60,000	\$ 56,235	\$ (3,765)
Intergovernmental	165,000	165,000	194,145	29,145
Charges for Services	15,488	15,488	16,503	1,015
Miscellaneous	200	200		(200)
Interest			237	237
Total Receipts	240,688	240,688	267,120	26,432
DISBURSEMENTS				
Protection to Persons and Property	391,500	390,327	315,922	74,405
Administration	127,900	129,073	108,079	20,994
Total Disbursements	519,400	519,400	424,001	95,399
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(278,712)	(278,712)	(156,881)	121,831
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	278,712	278,712	125,000	(153,712)
Total Other Adjustments to Cash (Uses)	278,712	278,712	125,000	(153,712)
Net Change in Fund Balance			(31,881)	(31,881)
Fund Balance - Beginning			50,367	50,367
Fund Balance - Ending	\$ 0	\$ 0	\$ 18,486	\$ 18,486

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

AMERICAN RESCUE PLAN ACT FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$	\$	\$ 1,193,983	\$ 1,193,983
Miscellaneous			15	15
Interest			2,533	2,533
Total Receipts			1,196,531	1,196,531
DISBURSEMENTS				
Administration	1,193,983	1,193,983		1,193,983
Total Disbursements	1,193,983	1,193,983		1,193,983
Net Change in Fund Balance	(1,193,983)	(1,193,983)	1,196,531	2,390,514
Fund Balance - Beginning	1,193,983	1,193,983	1,194,125	142
Fund Balance - Ending	\$ 0	\$ 0	\$ 2,390,656	\$ 2,390,656

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

JUDICIAL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 12,000	\$ 12,000	\$ 16,458	\$ 4,458
Miscellaneous	261,300	261,300	213,196	(48,104)
Interest			206	206
Total Receipts	273,300	273,300	229,860	(43,440)
DISBURSEMENTS				
General Government	234,318	234,318	186,612	47,706
Administration	79,600	79,600	54,428	25,172
Total Disbursements	313,918	313,918	241,040	72,878
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(40,618)	(40,618)	(11,180)	29,438
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	40,618	40,618		(40,618)
Total Other Adjustments to Cash (Uses)	40,618	40,618		(40,618)
Net Change in Fund Balance			(11,180)	(11,180)
Fund Balance - Beginning			60,370	60,370
Fund Balance - Ending	\$ 0	\$ 0	\$ 49,190	\$ 49,190

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

CONTINGENCY FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 100	\$ 100	\$	\$ (100)
Interest			19,242	19,242
Total Receipts	100	100	19,242	19,142
DISBURSEMENTS				
Administration	225,000	985		985
Total Disbursements	225,000	985		985
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(224,900)	(885)	19,242	20,127
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	224,900	224,900	414,680	189,780
Transfers To Other Funds			(427,117)	(427,117)
Total Other Adjustments to Cash (Uses)	224,900	224,900	(12,437)	(237,337)
Net Change in Fund Balance		224,015	6,805	(217,210)
Fund Balance - Beginning			2,829,135	2,829,135
Fund Balance - Ending	\$ 0	\$ 224,015	\$ 2,835,940	\$ 2,611,925

TODD 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 general fund, capital project line-item, exceeded budgeted appropriations by \$41.

The road fund, general government line-item, exceeded budgeted appropriations by \$8,576.

The jail fund, debt service line-item, exceeded budgeted appropriations by \$334.

The economic assistance fund, capital projects line-item, exceeded budgeted appropriations by \$1,528,782.

Total budget of economic assistance fund was overspent by \$1,471,877.

TODD COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2022

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TODD 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	\$ 834,706	\$	\$	\$ 834,706
Building and Building Improvements	19,494,746	32,500		19,527,246
Vehicles and Equipment *	3,721,487	404,745	1,000	4,125,232
Infrastructure	10,294,434	678,421		10,972,855
 Total Capital Assets	 <u>\$ 34,345,373</u>	 <u>\$ 1,115,666</u>	 <u>\$ 1,000</u>	 <u>\$ 35,460,039</u>

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

Note 2. Restatement of Capital Assets Beginning Balance

	<u>Vehicles and Equipment</u>
Prior Year Ending Balance	\$ 3,736,487
Asset Erroneously Included	<u>(15,000)</u>
Beginning Balance Restated	<u><u>\$ 3,721,487</u></u>

**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 Todd Mansfield, Todd County Judge/Executive
Members of the Todd 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 Todd County Fiscal Court for the fiscal year ended June 30, 2022, and the related notes to the financial statement which collectively comprise the Todd County Fiscal Court's financial statement and have issued our report thereon dated May 11, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Todd 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 Todd County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Todd 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 certain deficiencies in internal control that we consider to be material weaknesses 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 deficiencies described in the accompanying Schedule of Findings and Responses as items 2022-001, 2022-002, 2022-003, and 2022-004 to be material weaknesses.



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

Internal Control Over Financial Reporting (Continued)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2022-005 to be a significant deficiency.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Todd 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, 2022-002, 2022-003, and 2022-004.

Vies of Responsible Official and Planned Corrective Action

Todd 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,



Mike Harmon
Auditor of Public Accounts
Frankfort, Ky

May 11, 2023

**TODD COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2022

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**TODD COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2022

FINANCIAL STATEMENT FINDINGS:

2022-001 The Todd County Fiscal Court Failed To Implement Adequate Internal Controls To Ensure Complete And Accurate Accounting Records Were Maintained

The fiscal court failed to provide adequate oversight, allowing the county treasurer complete control over the accounting and reporting functions. The following errors and reporting violations were noted during the performance of the audit:

- The fourth quarter financial report was inaccurate:
 - The June 9, 2022 and June 23, 2022 payrolls in the amount of \$151,877 were omitted.
 - Only \$70,225 of the \$232,225 received for the sale of a solid waste truck was recorded.
 - Failed to record \$11,505 in interest earned on CDs.
 - Recorded proceeds from CDs redeemed in the amount of \$391,902 as miscellaneous revenue.
 - Posted \$11,200 for a sheriff's employee to the solid waste fund.
- Budget amendments #2 and #3 in the amounts of \$300,000 and \$20,757, respectively, adopted by the fiscal court on February 25, 2022 and May 11, 2022, were not entered into the accounting software by the county treasurer.
- Budget appropriations were overspent for general fund capital projects line item in the amount of \$41, road fund general government line item by \$8,576, jail fund debt service line item by \$334, and economic assistance fund capital projects line item by \$1,528,782.
- The cash balances and financial activity of the jail and economic assistance bond accounts were not accounted for on the fourth quarter financial report. As a result, the economic assistance fund receipts were understated by \$404, expenditures were overstated by \$56,724, and the ending cash balance was understated by \$1,175,277. Additionally, expenditures of the jail fund were understated by \$334.
- The Tax Revenue Anticipation Note, Series 2022 proceeds of \$1,528,782 and the corresponding land purchase were omitted from the fourth quarter financial report. In addition, the total budget of the economic assistance fund was overspent by \$1,471,877.

The Todd County Fiscal Court failed to implement a strong internal control system or provide proper oversight to ensure complete and accurate accounting records were maintained. Instead, the county placed reliance on the county treasurer, without adequate oversight. Additionally, this was the county treasurer's first year serving as county treasurer; therefore, she was learning all accounting concepts and responsibilities.

Due to the fiscal court's lack of effective oversight of the treasury's functions, and the treasurer's lack of full understanding of her duties as prescribed by the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual*, the deficiencies, noncompliances, and undetected errors noted above pertaining to required record-keeping were allowed to occur. Also, by not including all budget amendments into the accounting software and presenting them accurately on the fourth quarter financial report, the fiscal court could spend over amounts budgeted for funds. Additionally, the fiscal court was unable to properly budget and plan for the following fiscal year due to inaccurate financial information being presented.

Strong internal controls over the preparation and reporting processes are vital to ensure the fiscal court's financial reports accurately reflect the financial activity of the fiscal court, as well as adhere to applicable laws and regulations.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2022-001 The Todd County Fiscal Court Failed To Implement Adequate Internal Controls To Ensure Complete And Accurate Accounting Records Were Maintained (Continued)

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual*. The manual requires the county treasurer to "[p]repare a quarterly financial report for the State Local Finance Officer." The manual also provides a format to be used when preparing the quarterly financial statement. This format includes reporting original budget estimates, budget amendments, and actual receipts and disbursements and totals available in each line item.

KRS 68.020(4) states the county treasurer, "[s]hall keep an accurate detailed account of all money received and disbursed by him for the county, and shall keep books of account of the financial transactions of the county in the manner required by the uniform system of accounting prescribed by the state local finance officer."

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

We recommend the Todd County Fiscal Court strengthen oversight and internal controls in order to ensure complete and accurate accounting records are maintained and that no one individual has control over the accounting functions without establishing checks and balances to verify amounts recorded and reported are accurate.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: As the county anticipates new debt, if any, appropriate reporting measures will take place and if new debt occurs, appropriate reporting measures and budget amendments will be implemented. New accounting software was purchased by the county, enabling the new treasurer to understand requirements more accurately. Payrolls are completed by the Finance Officer, signed off on by the Treasurer and triple checked by the Judge Executive. All receipts received from surplus or sale will be recorded in its entirety rather than splitting into appropriate funds. Budget appropriations will be recorded in new software by the Treasurer, checked by the Finance Officer and approved by court, then entered into court meeting minutes. Budget amendments will be entered into accounting software and reviewed by Treasurer and Finance Officer. New software and support by the software will strengthen these controls.

2022-002 The Todd County Fiscal Court Did Not Have Adequate Controls Over Disbursements

This is a repeat finding and was included in the prior year audit report as findings 2021-001 and 2021-002. During fiscal year 2022, the Todd County Fiscal Court had material weaknesses in internal control and noncompliances over disbursements. The following findings were noted regarding the Todd County Fiscal Court's disbursements:

- One invoice of \$4,200 was not paid within 30 days.
- Encumbrances were not reported on the fourth quarter financial statement nor were a list of encumbrances maintained by the county.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2022-002 The Todd County Fiscal Court Did Not Have Adequate Controls Over Disbursements (Continued)

- Purchase orders were not properly utilized. Of the 23 total transactions tested, 11 purchase orders totaling \$1,205,141 were not dated. Three purchase orders totaling \$4,843 were dated after the invoices were received. Finally, one purchase order totaling \$182,157 was not signed by the finance officer.
- There was not adequate documentation for two transactions on a credit card statement totaling \$25.

According to the county treasurer, the findings listed above were due to an oversight and lack of knowledge regarding the reporting of encumbrances.

Failure to pay obligations timely (within 30 days) is indicative of poor financial management practices and can result in late fees and finance charges, which are poor use of taxpayer resources. Also, by not maintaining itemized invoices, purchases could be made, which are personal in nature. When failing to maintain adequate documentation, the fiscal court is increasing the risk of paying invoices for goods and services that are not allowable or were not provided to the county. Additionally, the county was not in compliance with various state statutes when not properly documenting purchase orders, reporting encumbrances, or paying invoices within 30 working days.

KRS 65.140(2), states, in part, “[a]ll bids for goods and services shall be paid within thirty (30) working days of receipt of a vendor’s invoice[.]”

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The uniform system of accounts is set forth in the Department for Local Government’s *County Budget Preparation and State Local Finance Officer Policy Manual* which requires the county to disclose encumbrances on the face of the fourth quarter financial report. It also requires a purchase order system for all counties and each county is responsible for ensuring their purchase order system is executed and working properly.

According to a memorandum from the Department for Local Government (DLG) dated August 4, 2016, “[t]he main purpose of this system is to ensure that purchases can be made if there are sufficient appropriations available within the amount of line items in the county’s budget. Because of this, it is a requirement by the State Local Finance Officer that all counties have a purchase order system and follow the guidelines prescribed on Page 54 of the *County Budget Preparation and State Local Finance Officer Policy Manual*”. Furthermore, “DLG highly recommends that counties accept that practice of issuing PO’s for payroll and utility claims.”

Good internal controls dictate that adequate supporting documentation be maintained for all disbursements and credit card transactions. All vendor invoices and receipts should be maintained including any additional supporting documentation and agreed to the corresponding purchase order and reports. Furthermore, good internal controls also dictate the fiscal court monitor line items to ensure that there is ample cash and budget appropriations prior to approving payment of bills.

We make the following recommendations to the fiscal court:

- All invoices should be paid within 30 days of receipt of the vendor’s invoice in accordance with KRS 65.140(2).
- A list of encumbrances should be maintained by the county and reported on the quarterly reports in accordance with DLG requirements and KRS 68.210.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2022-002 The Todd County Fiscal Court Did Not Have Adequate Controls Over Disbursements (Continued)

- Internal control procedures regarding purchase orders should be strengthened by requiring that purchase orders be issued prior to purchases being made or services rendered in accordance with DLG requirements and KRS 68.210.
- Proper documentation should be maintained for all disbursements to properly support claims.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: New accounting software has been purchased by the county. Encumbrances will be reported on the quarterly reports and for upcoming fiscal year, including purchase orders. New software generates electronic purchase orders, where in the past were handwritten. This will allow the Finance Officer stronger controls over payment and obligations. Finance Officer and Treasurer will work together to ensure proper documentation for county spending going forward.

2022-003 The Todd County Fiscal Court Failed To Approve All Cash Transfers

The Todd County Fiscal Court failed to approve all cash transfers made by the county treasurer. We tested 13 cash transfers totaling \$1,440,297. Four cash transfers totaling \$511,180 were not approved by the fiscal court. Two cash transfers totaling \$224,117 should have been appropriation transfers and not cash transfers. Lastly, the fiscal court approved cash transfers on October 22, 2021, however the fiscal court orders did not disclose the funds from which the transfers were being made or the amounts of the transfers.

The county treasurer wasn't sure why all the cash transfers were not approved by fiscal court, but she thought some of the issues were due to her being new a new county treasurer and mixing up appropriation transfers with cash transfers. It was her belief that it was just an oversight that the detail for the October 22, 2021 was omitted from the fiscal court orders. By not having fiscal court approval for cash transfers, the risks for misappropriation increases and limits the controls to ensure financial records are accurate.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* states, "[a]ll transfers require a court order." Additionally, good internal controls dictate that all transfers be approved by fiscal court prior to being made by the county treasurer and the fiscal court orders should include the funds the transfers are being made from/to, as well as the amount of the transfers.

We recommend all cash transfers be approved by fiscal court prior to being made by the county treasurer, and the fiscal court orders include the funds the transfers are being made from/to, as well as the amount of the transfers.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Fiscal Court was made aware of transfers but documentation was not provided due to an oversight and misunderstanding of the county treasurer. New implemented software has allowed the treasurer with a better understanding of cash transfers and appropriation transfers. Going forward the county treasurer will ensure that fiscal court approves all transfers and appropriate documentation will be included in the recorded minutes.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2022-004 The Todd County Fiscal Court's Schedule Of Leases Was Materially Misstated

The Todd County Treasurer prepared a schedule of leases for fiscal year 2022; however, this schedule was materially misstated. The June 30, 2022 outstanding balance for the lease between the Todd County Fiscal Court and the Administrative Office of the Courts (AOC) for the AOC building was disclosed as \$960,000, when the outstanding balance should have been \$6,336,059. Additionally, the value of payments received for the current fiscal year were \$160,000 but should have been \$790,294.

These misstatements were caused by a lack of fully understanding the new reporting requirements. Because the county's schedule of leases was misstated, the Todd County Fiscal Court was not compliant with the requirements of Governmental Accounting Standards Board (GASB) Statement 87.

GASB Statement No. 87 establishes standards of accounting and financial reporting for leases by lessees and lessors. The note disclosure requirements of this Statement apply to financial statements of all regulatory basis local governments as required by the regulator, the Department for Local Government.

Additionally, strong internal controls dictate that the fiscal court maintain an up-to-date schedule of leases to ensure note disclosures are complete and accurate.

We recommend the Todd County Fiscal Court maintain an up-to-date schedule of all leases and follow the standards set forth by the Department for Local Government and GASB 87 to ensure note disclosures are complete and accurate.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: County Treasurer did not fully understand the new reporting requirements leading to the misstatements. Going forward the county treasurer will prepare the GASB Statement 87 appropriately.

2022-005 The Todd County Jail Does Not Have Adequate Segregation Of Duties Over The Jail Commissary And Inmate Accounts

The Todd County Jail does not have adequate segregation of duties over the jail commissary and inmate accounts. The same deputy prepares deposits and daily checkout sheets for both accounts, and posts to the receipts ledgers for the inmate account. The same deputy can also write and sign checks for both accounts, posts to the disbursements ledger for the inmate account, and prepares the monthly bank reconciliations. Compensating controls such as the review of reconciliations by another deputy, review and initialing of invoices by the jailer, and the requirement of dual signatures on all checks from the inmate fund were implemented but are not functioning as designed to prevent and detect errors.

Due to the small size of staff and limited resources, the Todd County Jail has limited options for establishing segregation of duties. The lack of segregation of duties could result in misappropriation of assets and inaccurate financial reporting to external agencies such as the Department for Local Government, which could occur but go undetected.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2022-005 The Todd County Jail Does Not Have Adequate Segregation Of Duties Over The Jail Commissary
And Inmate Accounts (Continued)

Good internal controls dictate that duties over the various accounting functions such as preparation of deposits, checkout sheet preparation, posting to ledgers, preparation of checks, and preparation of reconciliations be segregated in order to lower the risk of misappropriation of assets and inaccurate financial reporting occurring and going unnoticed.

We recommend the Todd County Jail segregate duties to the extent possible. If proper segregation of duties is not possible due to budget constraints, we recommend that the Todd County Jail implement effective compensating controls over jail commissary and inmate accounts.

Views of Responsible Official and Planned Corrective Action:

Jailer's Response: The jail has a small, limited staff size. A compensating control on the Jail Commissary account will be to add an extra signature for all purchases.

County Judge/Executive's Response: The Todd County Fiscal Court is always willing to help, within reason, the Jailer in whatever area that is lacking. We will defer to the Jailer for specific actions.

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

TODD COUNTY FISCAL COURT

For The Year Ended June 30, 2022

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CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
COUNTY FISCAL COURT

For The Year Ended June 30, 2022

The Todd 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.



County Judge/Executive



County Treasurer