

**REPORT OF THE AUDIT OF THE
WARREN 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 Doug Gorman, Warren County Judge/Executive

The Honorable Michael O. Buchanon, Former Warren County Judge/Executive

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



To the People of Kentucky
 The Honorable Andy Beshear, Governor
 Holly M. Johnson, Secretary
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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

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

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Members of the Warren 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 Warren County Fiscal Court. The Budgetary Comparison Schedules and the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

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

Other Information

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

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2022, on our consideration of the Warren 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 Warren County Fiscal Court's internal control over financial reporting and compliance.

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

- 2022-001 The Warren County Fiscal Court Failed To Implement Adequate Internal Controls To Ensure Complete And Accurate Accounting Records Were Maintained
- 2022-002 The Warren County Fiscal Court's Purchase Order Process Did Not Function As Designed
- 2022-003 The Warren County Judge/Executive Failed To Require Encumbrances Reported On The Fourth Quarter Financial Report Be Properly Supported
- 2022-004 The Warren County Fiscal Court Failed To Implement Adequate Internal Controls Over Subrecipient Monitoring

Respectfully submitted,

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

Mike Harmon
Auditor of Public Accounts
Frankfort, Ky

December 15, 2022

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

Michael O. Buchanon	County Judge/Executive
Doug Gorman	Magistrate
Larry T. Lawrence	Magistrate
Tony Payne	Magistrate
Rex McWhorter	Magistrate
Mark Young	Magistrate
Ron Cummings	Magistrate

Other Elected Officials:

Amy Hale Milliken	County Attorney
Stephen Harmon	Jailer
Sharon Lynette Yates	County Clerk
Brandi Duvall	Circuit Court Clerk
Brett Hightower	Sheriff
Susan Oliver Lewis	Property Valuation Administrator
Kevin R. Kirby	Coroner

Appointed Personnel:

Greg Burrell	County Treasurer
Marie Smith	Deputy Judge/Executive

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

For The Year Ended June 30, 2022

WARREN 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	\$ 25,514,972	\$	\$
In Lieu Tax Payments	162,852		
Excess Fees	1,776,990		
Licenses and Permits	2,743,382		
Intergovernmental	4,233,836	3,489,147	6,710,193
Charges for Services	313,817		252,520
Miscellaneous	380,256	60	713,672
Interest	1,002,907		4,076
Total Receipts	<u>36,129,012</u>	<u>3,489,207</u>	<u>7,680,461</u>
DISBURSEMENTS			
General Government	10,053,372		
Protection to Persons and Property	3,307,486		6,770,910
General Health and Sanitation	684,615		
Social Services	162,205		
Recreation and Culture	9,434,427		
Roads		3,234,756	
Airports	132,083		
Debt Service	4,008,614		
Capital Projects	11,139,517	224,904	
Administration	2,129,251	462,475	1,843,738
Total Disbursements	<u>41,051,570</u>	<u>3,922,135</u>	<u>8,614,648</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(4,922,558)</u>	<u>(432,928)</u>	<u>(934,187)</u>
Other Adjustments to Cash (Uses)			
Payroll Revolving Account	75,848		
Transfers From Other Funds	5,000,000	1,134,436	1,150,000
Transfers To Other Funds	<u>(2,284,436)</u>		
Total Other Adjustments to Cash (Uses)	<u>2,791,412</u>	<u>1,134,436</u>	<u>1,150,000</u>
Net Change in Fund Balance	(2,131,146)	701,508	215,813
Fund Balance - Beginning (Restated)	<u>67,370,546</u>	<u>87,096</u>	<u>402,186</u>
Fund Balance - Ending	<u>\$ 65,239,400</u>	<u>\$ 788,604</u>	<u>\$ 617,999</u>
Composition of Fund Balance			
Bank Balance	\$ 31,144,329	\$ 803,245	\$ 542,766
Payroll Revolving Account	75,848		
Plus: Deposits In Transit			300,000
Less: Outstanding Checks	(1,220,627)	(14,641)	(224,767)
Certificates of Deposit	6,105,748		
Investments	<u>29,134,102</u>		
Fund Balance - Ending	<u>\$ 65,239,400</u>	<u>\$ 788,604</u>	<u>\$ 617,999</u>

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

WARREN 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	Grants Fund	Emergency 911 Fund	Federal Drug Forfeiture Fund	Storm Water Fund	Transient Room Tax Fund	Tax Incremental Fund
\$	\$	\$ 182,606	\$	\$	\$ 1,368,621	\$ 1,474,438
328,793	13,169,104			1,328,271		252,861
4,480			22	47,227	1,359	722
333,273	13,169,104	182,606	22	1,375,498	1,369,980	1,728,021
182,500						
14,224		158,605	2,238	1,004,058		
51,900						
					518,938	1,513,688
	2,754,236				236	5,050
248,624	2,754,236	158,605	2,238	1,004,058	519,174	1,518,738
84,649	10,414,868	24,001	(2,216)	371,440	850,806	209,283
	(5,000,000)					
	(5,000,000)					
84,649	5,414,868	24,001	(2,216)	371,440	850,806	209,283
940,125	13,199,791	19,627	4,190	3,185,085	2,155,806	595,227
\$ 1,024,774	\$ 18,614,659	\$ 43,628	\$ 1,974	\$ 3,556,525	\$ 3,006,612	\$ 804,510
\$ 1,048,774	\$ 18,830,534	\$ 59,660	\$ 1,974	\$ 233,704	\$ 3,006,612	\$ 804,510
(24,000)	(215,875)	(16,032)		(121,887)		
				3,444,708		
\$ 1,024,774	\$ 18,614,659	\$ 43,628	\$ 1,974	\$ 3,556,525	\$ 3,006,612	\$ 804,510

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

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

	<u>Unbudgeted Funds</u>		
	Justice Center Expansion Corporation Fund	Jail Commissary Fund	Total Funds
RECEIPTS			
Taxes	\$	\$	\$ 28,540,637
In Lieu Tax Payments			162,852
Excess Fees			1,776,990
Licenses and Permits			2,743,382
Intergovernmental	1,793,475		29,724,548
Charges for Services			1,894,608
Miscellaneous		651,611	1,998,460
Interest		1,084	1,061,877
Total Receipts	<u>1,793,475</u>	<u>652,695</u>	<u>67,903,354</u>
DISBURSEMENTS			
General Government			10,235,872
Protection to Persons and Property			10,253,463
General Health and Sanitation			1,688,673
Social Services			214,105
Recreation and Culture		620,296	10,054,723
Roads			3,234,756
Airports			132,083
Debt Service	1,792,275		7,833,515
Capital Projects			14,118,657
Administration	1,200		4,441,950
Total Disbursements	<u>1,793,475</u>	<u>620,296</u>	<u>62,207,797</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>32,399</u>	<u>5,695,557</u>
Other Adjustments to Cash (Uses)			
Payroll Revolving Account			75,848
Transfers From Other Funds			7,284,436
Transfers To Other Funds			<u>(7,284,436)</u>
Total Other Adjustments to Cash (Uses)			<u>75,848</u>
Net Change in Fund Balance		32,399	5,771,405
Fund Balance - Beginning (Restated)	<u>5,988</u>	<u>830,426</u>	<u>88,796,093</u>
Fund Balance - Ending	<u>\$ 5,988</u>	<u>\$ 862,825</u>	<u>\$ 94,567,498</u>
Composition of Fund Balance			
Bank Balance	\$ 5,988	\$ 789,163	\$ 57,271,259
Payroll Revolving Account			75,848
Plus: Deposits In Transit			300,000
Less: Outstanding Checks		(348)	(1,838,177)
Certificates of Deposit		74,010	6,179,758
Investments			32,578,810
Fund Balance - Ending	<u>\$ 5,988</u>	<u>\$ 862,825</u>	<u>\$ 94,567,498</u>

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

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**WARREN COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2022

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The following entities: Bowling Green SPE II and Warren County Downtown Economic Development Authority, Inc. (DEDA) would have been included in the reporting entity under accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. However, under the regulatory basis, they no longer are required components of the reporting entity. Audits of the aforementioned entities can be obtained from the Warren County Fiscal Court.

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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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

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

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

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

Emergency 911 Fund - The primary purpose of this fund is to account for the operation of the 911 system. The primary source of receipts for this fund is the 911 telephone surcharge.

Federal Drug Forfeiture Fund - The primary purpose of this fund is to account for additional law enforcement expenses of the Warren County Drug Task Force. The primary sources of receipts for this fund are federal grants, forfeited cash, and the sale of forfeited property.

Storm Water Fund - The primary purpose of this fund is to account for storm water retentions and repairs. The primary source of receipts for this fund is fees assessed on water meters.

Transient Room Tax Fund - The primary purpose of this fund is to account for transient room tax receipts. The primary source of receipts for this fund is the taxes collected which are to be used solely for the debt service requirements of the 2017B series bonds which were issued by the fiscal court to advance refund the hotel tax revenue 2010 bonds.

Tax Incremental Fund - The primary purpose of this fund is to account for disbursement of tax incremental financing. The primary source of receipts for this fund is revenue-sharing agreements received from tax incremental financing districts. Funds are used for debt service requirements of the 2020 series bonds which were issued by the fiscal court to advance refund the SKyPAC 2011 series bonds issued by the fiscal court and the parking garage 2011 series bonds issued by the Warren County Downtown Economic Development Authority, Inc.

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Justice Center Expansion Corporation Fund - The primary purpose of this fund is to account for the proceeds and debt service of the First Mortgage Refunding Revenue Bonds, Series 2015. The primary source of receipts for this fund is rental from the Administrative Office of the Courts, Commonwealth of Kentucky.

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

E. Warren County Elected Officials

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

E. Warren County Elected Officials (Continued)

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

F. Deposits and Investments

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

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

G. Long-term Obligations

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

H. Related Obligations, Jointly Governed Organizations, and Joint Ventures

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

Warren County Industrial Development Authority
 South Central Kentucky Regional Development Authority (RDA)
 Southern Kentucky Marketplace, Inc.
 Warren County Cemetery Board
 Warren County Water District

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants do not retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a jointly governed organization. Based on this criteria, the following are considered jointly governed organizations of the Warren County Fiscal Court:

Bowling Green/Warren County Regional Airport Board
 Bowling Green Area Convention and Visitors Bureau

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

Note 1. Summary of Significant Accounting Policies (Continued)

H. Related Obligations, Jointly Governed Organizations, and Joint Ventures (Continued)

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based on this criteria, the following are considered joint ventures of the Warren County Fiscal Court:

Bowling Green/Warren County Planning Commission
 Inter-Model Transportation Authority, Inc.

Note 2. Deposits and Investments

A. Deposits

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

Custodial Credit Risk - Deposits

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

B. Investments

As of June 30, 2022, the fiscal court had the following investments and maturities:

I. Cash and Cash Equivalents:

	<u>Cost Basis</u>
Cash	\$ 55,733,083
Certificates of Deposit	<u>6,179,758</u>
Total Cash/Cash Equivalents	<u>\$ 61,912,841</u>

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

Note 2. Deposits and Investments (Continued)

B. Investments (Continued)

II. Investments:

Type	Cost Basis	Less Than 1	1-5	6-10	Than 10
Investments:					
U.S. Government and					
U.S. Agencies Bonds	\$ 2,031,096	\$	\$ 339,831	\$ 496,255	\$ 1,195,010
U.S. Agencies CMOs	61,515				61,515
Municipal Bonds (KY)	30,486,199	4,696,057	15,252,856	9,973,908	563,378
Total Investments	32,578,810	4,696,057	15,592,687	10,470,163	1,819,903
Total Fund Balance	\$ 32,578,810	\$4,696,057	\$ 15,592,687	\$ 10,470,163	\$ 1,819,903

Custodial Credit Risk is the risk that, in the event of failure of the counterparty, the fiscal court will not be able to recover the value of its certificates of deposit, investments, or collateral securities that are in the possession of an outside party. The fiscal court's investment policy requires counterparties to provide sufficient collateral or other insurance if any investments or deposits exceed the insurance provided by Federal Deposit Insurance Corporation (FDIC) or the Securities Investor Protection Corporation (SIPC). All certificates of deposit and investments must be held by the counterparty in the fiscal court's name. The fiscal court has \$6,179,758 of certificates of deposit and \$32,578,810 of investments in securities held by the counterparties' trust departments in the fiscal court's name. The counterparty maintains certificates of deposit at depository institutions insured by the FDIC and limits certificates of deposit at each depository institution to the \$250,000 FDIC coverage limit. In addition, the SIPC provides up to \$500,000 coverage for securities and cash (limit of \$250,000 for cash) per client and the counterparties maintain additional insurance coverage for loss of securities and cash above the coverage provided by FDIC and SIPC.

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The fiscal court is statutorily limited as to credit ratings, at the time of purchase. KRS 66.480 and the fiscal court's investment policy define the following items as permissible investments:

- 1) Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, if delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian. These investments may be accomplished through repurchase agreements reached with sources including but not limited to national or state banks chartered in Kentucky;
- 2) Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency, including but not limited to:
 - a. United States Treasury;
 - b. Export-Import Bank of the United States;
 - c. Farmers Home Administration;
 - d. Government National Mortgage Corporation; and
 - e. Merchant Marine bonds.

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

Note 2. Deposits and Investments (Continued)

B. Investments (Continued)

- 3) Obligations of any corporation of the United States government, including but not limited to:
 - a. Federal Home Loan Mortgage Corporation;
 - b. Federal Farm Credit Banks;
 - c. Bank for Cooperatives;
 - d. Federal Intermediate Credit Banks;
 - e. Federal Land Banks;
 - f. Federal Home Loan Banks;
 - g. Federal National Mortgage Association; and
 - h. Tennessee Valley Authority.
- 4) Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution having a physical presence in Kentucky which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations, including surety bonds, permitted by KRS 41.240(4);
- 5) Uncollateralized certificates of deposit issued by any bank or savings and loan institution having a physical presence in Kentucky rated in one of the three highest categories by a competent rating agency;
- 6) Bankers' acceptances for banks rated in one of the three highest categories by a competent rating agency;
- 7) Commercial paper rated in the highest category by a competent rating agency;
- 8) Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities;
- 9) Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, and rated in one of the three highest categories by a competent rating agency;
- 10) Shares of mutual funds and exchange traded funds, each of which shall have the following characteristics:
 - a. The mutual funds shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended.
 - b. The management company of the investment company shall have been in operation for at least five years; and
 - c. All of the securities in the mutual fund shall be eligible investments pursuant to this section.
- 11) Individual equity securities if the funds being invested are managed by a professional investment manager regulated by a federal regulatory agency. The individual equity securities shall be included within the Standard and Poor's 500 Index, and a single sector shall not exceed twenty-five percent (25%) of the equity allocation; and
- 12) Individual high-quality corporate bonds that are managed by a professional investment manager that:
 - a. Are issued, assumed, or guaranteed by a solvent institution created and existing under the laws of the United States;
 - b. Have a standard maturity of no more than ten years; and
 - c. Are rated in the three highest rating categories by at least two competent credit rating agencies.

According to KRS 66.480, the fiscal court is limited to investing no more than 20 percent in categories 5, 6, 7, 9, and 10 above per state statute and the fiscal court's investment policy. As of June 30, 2022, the fiscal court does not have any investments in these categories.

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

Note 2. Deposits and Investments (Continued)

B. Investments (Continued)

The fiscal court's rated investments, as of June 30, 2022, and the ratings are presented in the table below. All issuers of the municipal bonds are located in the Commonwealth of Kentucky.

Type	Standard & Poor's/Moody's Credit Ratings				Cost Basis
	AAA/Aaa	AA/Aa	A	Unrated/NA	
Investments:					
U.S. Government and					
U.S. Agencies Bonds	\$ 2,031,096	\$	\$	\$	\$ 2,031,096
U.S. Agencies CMOs		26,179		35,336	61,515
Municipal Bonds (KY)	669,379	5,896,218	15,140,059	8,780,543	30,486,199
Total Investments	2,700,475	5,922,397	15,140,059	8,815,879	32,578,810
Total Fund Balance	\$ 2,700,475	\$5,922,397	\$ 15,140,059	\$ 8,815,879	\$ 32,578,810

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the fiscal court's investment in a single issuer. U.S. Government securities and investments in mutual funds are excluded from this risk. More than 5 percent of the fiscal court's investments are in three securities. KY St PPTY & Bldgs, KY Association of Counties, and Nuveen KY Mun Bond CL A. These investments are 25 percent of the fiscal court's total investments.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The fiscal court's policy provides that, to the extent practicable, investments are matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities. See table above for investments listed by type and duration.

Note 3. Transfers

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

	General Fund	Grants Fund	Total Transfers In
General Fund	\$	\$ 5,000,000	\$ 5,000,000
Road Fund	1,134,436		1,134,436
Jail Fund	1,150,000		1,150,000
Total Transfers Out	\$ 2,284,436	\$ 5,000,000	\$ 7,284,436

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.

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

Note 4. Custodial Funds

- A. 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 \$511,524.

Drug Task Force HIDTA Seized Fund - This fund accounts for funds seized by the Warren County Drug Task Force and held until the court system issues orders on what to do with the funds. The balance in the seized fund as of June 30, 2022, was \$131,629.

Note 5. Receivable

In September 2007, the Warren County Fiscal Court issued financing obligations of \$820,000 to the Community Action of Southern Kentucky (CASK). Financing proceeds were paid directly to CASK. CASK makes the lease payments directly to the trustee of the note to pay principal and interest. The receivable of \$75,000 reflects the principal amount due from CASK as of June 30, 2022. The amount receivable corresponds to the outstanding debt as of the end of the fiscal year.

Note 6. Leases

A. Lessor

1. North Central Communications, Inc.

On March 14, 2022, the Warren County Fiscal Court began leasing land to the North Central Communications, Inc. The lease is for four years and the Warren County Fiscal Court will receive annual payments of \$5,000. The Warren County Fiscal Court recognized \$5,000 in lease revenue during the current fiscal year related to this lease. As of June 30, 2022, the Warren County Fiscal Court's receivable for lease payments was \$15,000.

2. Lifeskills, Inc.

On June 26, 2008, the Warren County Fiscal Court began leasing a building to Lifeskills, Inc. The lease is for five years and the Warren County Fiscal Court will receive annual payments of \$1. The Warren County Fiscal Court recognized \$1 in lease revenue during the current fiscal year related to this lease. As of June 30, 2022, the Warren County Fiscal Court does not have a receivable for lease payments since this lease has expired.

3. Kingery and Lovejoy, LLC

In November 2021, the Warren County Fiscal Court purchased Sugar Maple Square and acquired all existing leases of Sugar Maple Square. The Warren County Fiscal Court began leasing retail space in Sugar Maple Square to Kingery and Lovejoy, LLC (Treasure Hunt). The lease is for one year and the Warren County Fiscal Court will receive monthly payments of \$5,000. The Warren County Fiscal Court recognized \$25,000 in lease revenue during the current fiscal year related to this lease. As of June 30, 2022, the Warren County Fiscal Court's receivable for lease payments was \$30,000.

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

Note 6. Leases (Continued)

A. Lessor (Continued)

4. The Kidz Club – Bowling Green, LLC

In November 2021, the Warren County Fiscal Court purchased Sugar Maple Square and acquired all existing leases of Sugar Maple Square. The Warren County Fiscal Court began leasing retail space in Sugar Maple Square to The Kidz Club – Bowling Green, LLC. The lease is for ten years and the Warren County Fiscal Court will receive monthly payments of \$6,225. The Warren County Fiscal Court recognized \$51,075 in lease revenue during the current fiscal year related to this lease. As of June 30, 2022, the Warren County Fiscal Court's receivable for lease payments was \$261,450.

5. People Ready, Inc.

In November 2021, the Warren County Fiscal Court purchased Sugar Maple Square and acquired all existing leases of Sugar Maple Square. The Warren County Fiscal Court began leasing retail space in Sugar Maple Square to People Ready, Inc. The lease is for five years and the Warren County Fiscal Court will receive monthly payments of \$1,958. The Warren County Fiscal Court recognized \$15,664 in lease revenue during the current fiscal year related to this lease. As of June 30, 2022, the Warren County Fiscal Court's receivable for lease payments was \$90,068.

6. House on the Hill

In November 2021, the Warren County Fiscal Court purchased Sugar Maple Square and acquired all existing leases of Sugar Maple Square. The Warren County Fiscal Court began leasing retail space in Sugar Maple Square to House on the Hill. The lease is for six months and the Warren County Fiscal Court will receive monthly payments of \$500. The Warren County Fiscal Court recognized \$3,500 in lease revenue during the current fiscal year related to this lease. As of June 30, 2022, the Warren County Fiscal Court's receivable for lease payments was \$1,000.

7. HC Matthews, Inc.

In November 2021, the Warren County Fiscal Court purchased Sugar Maple Square and acquired all existing leases of Sugar Maple Square. The Warren County Fiscal Court began leasing retail space in Sugar Maple Square to HC Matthews, Inc. (The Laundry). The lease is for six years and the Warren County Fiscal Court will receive monthly payments of \$2,200. The Warren County Fiscal Court recognized \$14,000 in lease revenue during the current fiscal year related to this lease. As of June 30, 2022, the Warren County Fiscal Court's receivable for lease payments was \$66,000.

8. Grace and Peace Presbyterian Church

In November 2021, the Warren County Fiscal Court purchased Sugar Maple Square and acquired all existing leases of Sugar Maple Square. The Warren County Fiscal Court began leasing retail space in Sugar Maple Square to Grace and Peace Presbyterian Church. The lease is for five years and the Warren County Fiscal Court will receive monthly payments of \$3,000. The Warren County Fiscal Court recognized \$24,000 in lease revenue during the current fiscal year related to this lease. As of June 30, 2022, the Warren County Fiscal Court's receivable for lease payments was \$36,000.

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

Note 6. Leases (Continued)

A. Lessor (Continued)

9. Major Style

In November 2021, the Warren County Fiscal Court purchased Sugar Maple Square and acquired all existing leases of Sugar Maple Square. The Warren County Fiscal Court began leasing retail space in Sugar Maple Square to Major Style. The lease is month to month and the Warren County Fiscal Court will receive monthly payments of \$600. The Warren County Fiscal Court recognized \$4,200 in lease revenue during the current fiscal year related to this lease.

10. Gentle Pet Care

In November 2021, the Warren County Fiscal Court purchased Sugar Maple Square and acquired all existing leases of Sugar Maple Square. The Warren County Fiscal Court began leasing retail space in Sugar Maple Square to Gentle Pet Care. The lease is month to month and the Warren County Fiscal Court will receive monthly payments of \$500. The Warren County Fiscal Court recognized \$3,500 in lease revenue during the current fiscal year related to this lease.

11. Unified Prosecutorial System

On July 1, 2020, the Warren County Fiscal Court began leasing office space in the Warren County Justice Center to the Unified Prosecutorial System. This lease is a yearly and the Warren County Fiscal Court will receive annual payments of \$57,688. The Warren County Fiscal Court recognized \$57,688 in lease revenue during the current fiscal year related to this lease.

12. Department of Public Advocacy

On July 1, 2020, the Warren County Fiscal Court began leasing office space in the Warren County Justice Center to the Department of Public Advocacy. This is a yearly lease and the Warren County Fiscal Court will receive annual payments of \$78,507. The Warren County Fiscal Court recognized \$82,551 in lease revenue during the current fiscal year related to this lease.

13. Administrative Office of the Courts

On December 1, 2005, the Warren County Fiscal Court began leasing office space in the Warren County Justice Center to the Administrative Office of the Courts. This lease is for 25 years and the Warren County Fiscal Court will receive bi-annual payments of \$896,738. The Warren County Fiscal Court recognized \$1,793,475 in lease revenue during the current fiscal year related to this lease.

14. Community Action of Southern Kentucky

On September 25, 2007, the Warren County Fiscal Court began leasing a building to the Community Action of Southern Kentucky. This lease is for 15 years and the Warren County Fiscal Court will receive semi-annual payments of \$39,283. The Warren County Fiscal Court recognized \$75,500 in lease revenue during the current fiscal year related to this lease. As of June 30, 2022, the Warren County Fiscal Court's receivable for lease payments was \$77,375.

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

Note 6. Leases (Continued)

A. Lessor (Continued)

15. SoKY Marketplace, Inc.

On September 25, 2007, the Warren County Fiscal Court began leasing a renovated church and pavilion to the SoKY Marketplace, Inc. This lease is for five years and the Warren County Fiscal Court will receive annual payments of \$1. The Warren County Fiscal Court did not recognize any lease revenue during the current fiscal year related to this lease. As of June 30, 2022, the Warren County Fiscal Court's receivable for lease payments was \$1.

B. Lessee

1. Enterprise FM Trust

On July 15, 2016, the county entered into a lease agreement with Enterprise FM Trust to lease several vehicles for use by the Warren County Fiscal Court. Enterprise FM Trust will, on or about the date of delivery of each vehicle to the county, include a schedule covering the vehicle, which will include a description of the vehicle, the lease term, and the monthly rental and other payments due with respect to the vehicle. The agreement is a lease only and the county will not have right, title, or interest in or to the vehicles except for the use of the vehicles as described in the agreement. The lease term commences on the delivery date of the vehicle and ends either 60 or 48 months after the first full month rental payment date with an option to continue month-to-month for an unlimited period of time. During fiscal year 2022, the county leased 105 vehicles with total lease payments of \$644,987. The lease payments required under the leasing agreement for the fiscal years ending June 30, 2023, and thereafter are as follows:

Fiscal Year Ended June 30	Amount
2023	\$ 564,654
2024	455,449
2025	407,645
2026	235,849
2027	70,877
Totals	<u>\$ 1,734,474</u>

2. Warren County Downtown Economic Development Authority, Inc.

The county entered into a Local Participation Agreement dated May 1, 2012, with the City of Bowling Green (the city), Kentucky and the Warren County Downtown Economic Development Authority (DEDA). The agreement required DEDA to undertake the acquisition, construction, and operation of the baseball park and parking garage. In return, the city and county pledged 80 percent of identified tax receipts to support the payment of debt service related to the project for a period of up to 30 years.

On August 1, 2012, the City of Bowling Green entered into a sublease agreement to provide a backstop revenue pledge for a mixed-use development. The pledge was designed to cover debt service shortfalls on \$20,500,000 in variable rate taxable industrial building revenue bonds (IRB) (Series 2012) issued by Warren County Fiscal Court for the benefit of a local sub-developer.

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

Note 6. Leases (Continued)

B. Lessee (Continued)

2. Warren County Downtown Economic Development Authority, Inc. (Continued)

The project supported by the pledged revenue is located in downtown Bowling Green and consists of over 100,000 square feet of mixed-use development that connects to a parking structure, on College and 8th Streets, adjacent to the Bowling Green Ballpark. In August 2013, the City of Bowling Green's Board of Commissioners approved an amendment to the city's parking sublease to cover an additional borrowing of \$5,000,000 in variable rate debt in order to complete construction of the development.

The City of Bowling Green agreed to sublease parking facilities in the structure connected to the above-referenced project from the sub-developer, who in-turn subleases the parking garage from Warren County Fiscal Court. In May 2012, an Agreement on Sharing of Revenues was executed between the city, county, and the Warren County Downtown Economic Development Authority that outlined the revenue streams from the TIF district pledged to cover the IRB debt. The City of Bowling Green's parking sublease agreement is the final line of revenue pledged, following: (1) lease revenues from the building, (2) 80% of State TIF revenues from Blocks 4A, 5, 8, and 10 in the TIF District, (3) 80% of TIF revenues generated by the key tenant of the building, and (4) any debt service reserve funds available from the permanent financing issue scheduled each December.

In March 2015, the City of Bowling Green agreed to assign all State TIF revenues to Warren County Fiscal Court and to adjust city base revenues in specific blocks within the TIF District. In exchange for the adjusted base revenues, the County will provide an annual, renewable lease to fund city debt service shortfalls. The city also agreed to convert the annual, renewable parking sublease General Obligation sublease as part of the permanent bond issue that closed in January 2016. The City of Bowling Green considers the previous risk of funding debt shortfalls eliminated with the reassignment of the city's share of State TIF revenues to Warren County Fiscal Court, and the County's pledge to reimburse the city for any shortfalls on debt service of the IRB financing. At the end of the bond term (30 years), the County will receive title to the ballpark. In FY 2022, Warren County Fiscal Court was required to fund an additional \$263,404 related to the required debt service shortfalls.

3. Postage Machine – County Treasurer

On January 8, 2020, the Warren County Fiscal Court entered into a five-year lease agreement as lessee for the use of a postage machine. An initial lease liability was recorded in the amount of \$20,147 during the current fiscal year. As of June 30, 2022, the value of the lease liability was \$10,073. The Warren County Fiscal Court is required to make quarterly payments of \$1,007.

The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended June 30	Amount
2023	\$ 4,029
2024	4,029
2025	2,015
Totals	<u>\$ 10,073</u>

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

Note 6. Leases (Continued)

B. Lessee (Continued)

4. Copier – Public Works

On July 1, 2017, the Warren County Fiscal Court entered into a five-year lease agreement as lessee for the use of a copier. An initial lease liability was recorded in the amount of \$9,278 during the current fiscal year. As of June 30, 2022, the value of the lease liability was \$0. The Warren County Fiscal Court was required to make monthly payments of \$155.

5. Copier – Emergency Management

On September 1, 2017, the Warren County Fiscal Court entered into a five-year lease agreement as lessee for the use of a copier. An initial lease liability was recorded in the amount of \$12,899 during the current fiscal year. As of June 30, 2022, the value of the lease liability was \$0. The Warren County Fiscal Court was required to make monthly payments of \$215.

6. Copier - Parks

On January 6, 2021, the Warren County Fiscal Court entered into a five-year lease agreement as lessee for the use of copiers. An initial lease liability was recorded in the amount of \$241,817 during the current fiscal year. As of June 30, 2022, the value of the lease liability was \$169,272. The Warren County Fiscal Court is required to make monthly payments of \$4,030. The remaining lease payments as of June 30, 2022, were as follows:

	Fiscal Year Ended	
	June 30	Amount
2023		\$ 48,363
2024		48,363
2025		48,364
2026		<u>24,182</u>
Totals		<u>\$ 169,272</u>

7. Fitness Equipment – Senior Center

On December 17, 2019, the Warren County Fiscal Court entered into a four-year lease agreement as lessee for the use of fitness equipment. An initial lease liability was recorded in the amount of \$26,325 during the current fiscal year. As of June 30, 2022, the value of the lease liability was \$9,872. The Warren County Fiscal Court is required to make monthly payments of \$548. The remaining lease payments as of June 30, 2022, were as follows:

	Fiscal Year Ended	
	June 30	Amount
2023		\$ 6,581
2024		<u>3,291</u>
Totals		<u>\$ 9,872</u>

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

Note 7. Long-term Debt

A. Direct Borrowings and Direct Placements

1. KADD 2007 Series K – CASK

On September 25, 2007, the Warren County Fiscal Court entered into a lease by participating in a KADD issue (Kentucky Area Development Districts Financing Trust Lease Certificates of Participation) in the amount of \$820,000. Interest payments are due March 20 and September 20 beginning March 20, 2008. Principal payments are due every September 20 beginning September 20, 2008. The final installment is due on September 20, 2022. The effective interest rate is 3.75%. The proceeds were disbursed to Community Action of Southern Kentucky (CASK), to acquire, construct and equip a building to serve low-income families. The County entered into a sublease with CASK simultaneously with the KADD lease. The sublease term and rental payments are the same as those of the county's lease with the KADD.

Remedies on Default:

- (a) Terminate the lease term and give notice to the lessee to vacate or surrender the project within 60 days from the date of such notice;
- (b) Sell or re-lease the project or any portion thereof;
- (c) Declare an amount equal to all base rentals and additional rentals under this lease to be immediately due and payable, whereupon that amount shall become immediately due and payable; or
- (d) Take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the project under this lease and any collateral documents (including, without limitations, the right to possession of the project and the right to sell or re-lease or other dispose of the project in accordance with applicable law and to appoint a receiver to operate the project) and to recover damages for the breach thereof.

Principal outstanding as of June 30, 2022, totaled \$75,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2023	\$ 75,000	\$ 1,875
Totals	\$ 75,000	\$ 1,875

2. General Obligation Lease (Farmer's Market), Series 2016

On December 23, 2016, the Warren County Fiscal Court entered into a lease agreement with JP Morgan Chase Bank in the amount of \$3,000,000 for the financing, acquisition, development, construction, and operation of a Farmer's Market Kitchen to be owned and operated by the county as a public project as well as for the acquisition of a fire truck and equipment. Interest payments are due June 1 and December 1 beginning June 1, 2017. Principal payments are due every December 1 beginning December 1, 2018. The final installment is due on December 1, 2031. The effective interest rate is 2.3%.

WARREN 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 Lease (Farmer's Market), Series 2016 (Continued)

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

- (a) by appropriate court action, enforce the pledge set forth in section 4 of the ordinance and section 10 of this lease so that during the remaining lease term there is levied on all the taxable property within the county, in addition to all other taxes, without limitations as to the rate or amount, a direct tax annually in an amount sufficient to pay the lease rental payments when and as due;
- (b) take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the facility under this lease (including, without limitation, the right to possession of the facility and the right to sell or re-lease or otherwise dispose of the facility in accordance with applicable law), and/or take whatever action at law or in equity may appear necessary or desirable to enforce performance by the lessee of the applicable covenants and agreements of the lessee under this lease (subject, however, to the limitations thereon contained in this lease) and to recover damages for the breach thereof.

As of June 30, 2022, the principal balance was \$2,112,555. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2023	\$ 190,068	\$ 46,403
2024	194,491	41,981
2025	199,016	37,455
2026	203,646	32,825
2027	208,385	28,086
2028-2032	1,116,949	65,406
Totals	<u>\$ 2,112,555</u>	<u>\$ 252,156</u>

3. Financing Obligation - Sheriff Vehicles

On December 15, 2016, the Warren County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust for the purchase of nine sheriff vehicles. The principal amount of the lease was \$375,953. The agreement requires semi-annual principal and interest payments due June and December. The interest rate is 3.579%. The maturity date is December 20, 2021. As of June 30, 2022, the principal balance was \$0.

4. Financing Obligation - Road Truck

On December 15, 2016, the Warren County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust for the purchase of a conventional truck for the road department. The principal amount of the lease was \$117,337. The agreement requires semi-annual principal and interest payments due June and December. The interest rate is 3.7%. The maturity date is December 20, 2023.

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

Note 7. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

4. Financing Obligation - Road Truck (Continued)

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

- (a) Terminate the lease term and give notice to the lessee to vacate or surrender the project within 60 days from the date of such notice;
- (b) By written notice to the lessee, enter and take immediate possession of the project;
- (c) Recover from the lessee:
 - (i) the lease payments which would otherwise have been payable hereunder during any period in which the lessee continues to use, occupy, or retain possession of the project; and
 - (ii) Lease payments which would otherwise have been payable hereunder after the lessee vacates or surrenders the project during the remainder of the fiscal year in which such event of default occurs;
- (d) Sell or lease the project or sublease it for the account of the lessee, holding the lessee liable for all lease payments and other payments due during the remaining lease term to the extent that such selling, leasing or subleasing fails to provide amounts which are sufficient to pay the remaining lease payments when due, with any proceeds of the sale of the project being applied first to all past due lease payments and then to the portion of the lease payments applicable to the principal component in inverse order of their due date; and
- (e) Exercise any other right, remedy or privilege which may be available to it under the applicable laws of the Commonwealth or any other applicable law, subject to the limitations contained in this lease with respect to the lessee's obligations upon the occurrence of an event of nonappropriation; or proceed by appropriate court action to enforce the terms of this lease or to recover damages for the breach of this lease or to rescind this lease as to any or all of the project, including, but not limited to, any one or more remedial steps available to secured parties under Article 9 of the UCC and which are otherwise accorded to the lessor by applicable law.

As of June 30, 2022, the principal balance was \$27,208. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2023	\$ 18,008	\$ 841
2024	9,200	170
Totals	<u>\$ 27,208</u>	<u>\$ 1,011</u>

5. General Obligation Refunding Bonds, Series 2019

On June 4, 2019, the Warren County Fiscal Court issued obligations of \$5,892,847 for the purpose of refunding the Warren County, Kentucky General Obligation Refunding Bonds, Series 2009B, dated December 1, 2009, in the principal amount of \$9,490,000. Principal is paid annually on September 1. The interest rate is 2.370% with semi-annual interest payments due on the first of March and September. The final maturity date of these bonds is March 1, 2030.

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

Note 7. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

5. General Obligation Refunding Bonds, Series 2019 (Continued)

In the event of payment default, the bank may seek all remedies available to it under law in the Commonwealth of Kentucky or equity, including foreclosure of the mortgage.

As of June 30, 2022, the principal balance was \$4,822,062. Future principal and interest requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2023	\$ 518,760	\$ 108,136
2024	537,934	95,614
2025	555,564	82,656
2026	581,741	69,179
2027	602,171	55,149
2028-2030	<u>2,025,892</u>	<u>75,369</u>
Totals	<u>\$ 4,822,062</u>	<u>\$ 486,103</u>

B. Other Debt

1. General Obligation Refunding Bonds, Series 2013A

On July 17, 2013, the Warren County Fiscal Court issued obligations of \$5,960,000 to pay the bond issuance costs and to advance refund the following debt of the fiscal court: General Obligation Improvement Bonds, Series 2002; General Obligation Improvement Bonds, Series 2004; General Obligation Refunding Bonds, Series 2004B; and KPAD issue (Kentucky Public Agency Development Lease Certificates of Participation). Principal is payable annually on February 1. The interest rate varies from 2% to 3.125% with semi-annual interest payments on the first of February and August. The final maturity date of these bonds is February 1, 2028. As of June 30, 2022, the principal balance was \$2,020,000. Future principal and interest requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2023	\$ 390,000	\$ 57,564
2024	390,000	47,814
2025	295,000	37,479
2026	305,000	29,071
2027	315,000	19,921
2028	<u>325,000</u>	<u>10,156</u>
Totals	<u>\$ 2,020,000</u>	<u>\$ 202,005</u>

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

Note 7. Long-term Debt (Continued)

B. Other Debt (Continued)

2. General Obligation Improvement Bonds, Series 2013B

On August 15, 2013, the Warren County Fiscal Court issued obligations of \$7,960,000 to pay the bond issuance costs and to finance upgrading the county 911 system, acquiring radios for use by the county, and the Smallhouse Roadway Realignment Project. Principal is payable annually on June 1. The interest rate varies from 1% to 4% with semi-annual interest payments on the first of December and June. The final maturity date of these bonds is June 1, 2033. As of June 30, 2022, the principal balance was \$4,820,000. Future principal and interest requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2023	\$ 375,000	\$ 163,431
2024	385,000	154,056
2025	395,000	143,469
2026	405,000	131,619
2027	420,000	119,469
2028-2032	2,320,000	374,550
2033	<u>520,000</u>	<u>20,800</u>
Totals	<u>\$ 4,820,000</u>	<u>\$ 1,107,394</u>

3. First Mortgage Refunding Revenue Bonds (AOC Judicial Facility), Series 2015

On September 24, 2015, the Warren County Justice Center Expansion Corporation (the "Corporation") issued revenue bonds of \$17,550,000 to pay the bond issuance costs and fully refund the First Mortgage Revenue Bonds, Series 2005. The 2015 series bonds were issued at various rates from 3.00% to 5.00%. Principal is payable annually on September 1 and interest is payable semiannually on September 1 and March 1. The final maturity date of these bonds is September 1, 2029.

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

- (a) by enforcement of the foreclosable mortgage lien on the project site and improvements granted by the mortgage, and in such event the trustee will take over possession, custody and control of the project and will operate or carry out decretal sale of same with due regard to state and federal law and the covenants contained in the lease for the benefit of the owners of the bonds. Provided, however, that no such foreclosure sale will result in a deficiency judgment of any type or in any amount against AOC, the county or the corporation, and until such sale the county may at any time by the discharge of the bonds and interest and any premium thereon receive an unencumbered fee simple title to the mortgaged facilities; provided that in the event of any such enforcement of said lien by the trustee, there will first be paid all expenses incident to said document, and thereafter the bonds then outstanding will be paid and retired;

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

Note 7. Long-term Debt (Continued)

B. Other Debt (Continued)

3. First Mortgage Refunding Revenue Bonds (AOC Judicial Facility), Series 2015 (Continued)

- (b) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the owners of the bonds, including the right to require the corporation to enforce fully the lease and to charge, collect and fully account for the pledged receipts, and to require the corporation to carry out any and all other covenants or agreements with the bondholders and to perform its duties under the act;
- (c) by bringing suit upon the bonds;
- (d) by action or suit in equity, require the corporation to account as if it were the trustee of an express trust for the owners of the bonds;
- (e) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the owners of the bonds;
- (f) by declaring all bonds due and payable, and if all defaults will be made good, then, with the written consent of the owners of not less than 25% in a principal amount of the outstanding bonds, by annulling such declaration and its consequences; and
- (g) in the event that all bonds are declared due and payable, by selling investment obligations of the corporation (to the extent not theretofore set aside for redemption of the bonds for which call has been made) and enforcing all chooses in action of the corporation to the fullest legal extent in the name of the corporation for the use and benefit of the owners of the bonds.

As of June 30, 2022, the principal balance was \$12,310,000. The Administrative Office of the Courts, Commonwealth of Kentucky, has agreed to make the payments due below on behalf of the fiscal court. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2023	\$ 1,325,000	\$ 468,125
2024	1,370,000	414,000
2025	1,445,000	343,625
2026	1,520,000	269,500
2027	1,600,000	191,500
2028-2030	<u>5,050,000</u>	<u>227,700</u>
Totals	<u>\$ 12,310,000</u>	<u>\$ 1,914,450</u>

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

Note 7. Long-term Debt (Continued)

B. Other Debt (Continued)

4. General Obligation Bonds, Series 2017

On August 16, 2017, the Warren County Fiscal Court issued obligations of \$8,295,000 for the purpose of financing (i) the cost of the acquisition, development, and construction of gymnasium and fitness center buildings, and other capital improvements and buildings owned and operated by the county to be used for a public purpose, (facilities), including reimbursement of cost incurred and/or paid by the county for the acquisition, development, and construction of the facilities, (ii) the payment of capitalized and/or accrued interest, if any; and (iii) the payment of the cost of issuance. Principal is paid annually on June 1. The interest rate varies from 2% to 5% with semi-annual interest payments due on the first of June and December. The final maturity date of these bonds is June 1, 2037. As of June 30, 2022, the principal balance was \$6,655,000. Future principal and interest requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2023	\$ 345,000	\$ 215,131
2024	365,000	197,881
2025	375,000	186,931
2026	385,000	175,681
2027	395,000	164,131
2028-2032	2,215,000	593,057
2033-2037	<u>2,575,000</u>	<u>239,657</u>
Totals	<u>\$ 6,655,000</u>	<u>\$ 1,772,469</u>

5. General Obligations Bonds, Series 2017B

On December 13, 2017, the Warren County Fiscal Court issued obligations of \$8,660,000 for the purpose of financing (i) the refunding of the Warren County, Kentucky Hotel Tax Revenue Bonds, Series 2010 (Build America Bonds-Direct Payment, dated February 1, 2010 ("Prior Bonds"), pursuant to the Refunding Plan, (ii) the payment of accrued interest, if any and (iii) the payment of the cost of issuance. Principal is paid annually on June 1 starting fiscal year 2021. The interest rate varies from 3% to 4% with semi-annual interest payments due on the first of June and December. The final maturity date of these bonds is June 1, 2039. As of June 30, 2022, the principal balance was \$8,230,000. Future principal and interest requirements are:

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

Note 7. Long-term Debt (Continued)

B. Other Debt (Continued)

5. General Obligations Bonds, Series 2017B (Continued)

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2023	\$ 250,000	\$ 284,938
2024	270,000	274,938
2025	295,000	264,138
2026	325,000	252,337
2027	350,000	239,337
2028-2032	2,200,000	97,667
2033-2037	3,045,000	556,125
2038-2039	<u>1,495,000</u>	<u>70,625</u>
Totals	<u>\$ 8,230,000</u>	<u>\$ 2,040,105</u>

6. General Obligation Bonds (Energy Savings Project), Series 2018

On December 7, 2018, the Warren County Fiscal Court issued obligations of \$5,715,000 for the purpose of financing (i) the acquisition and installation of energy efficient and saving improvements for county buildings and facilities, and other capital improvements and buildings owned and operated by the county to be used for a public purpose; (ii) the payment of capitalized and/or accrued interest, if any; and (iii) the payment of the cost of issuance. Principal is paid annually on June 1. The interest rate varies from 3% to 4% with semi-annual interest payments due on the first of June and December. The final maturity date of these bonds is December 1, 2036. As of June 30, 2022, the principal balance was \$4,995,000. Future principal and interest requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2023	\$ 270,000	\$ 169,293
2024	285,000	157,194
2025	305,000	145,394
2026	325,000	132,794
2027	345,000	120,256
2028-2032	1,555,000	442,472
2033-2037	<u>1,910,000</u>	<u>164,919</u>
Totals	<u>\$ 4,995,000</u>	<u>\$ 1,332,322</u>

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

Note 7. Long-term Debt (Continued)

B. Other Debt (Continued)

7. General Obligation Lease Agreement Certificates, Taxable Series 2020

On October 6, 2020, the Warren County Fiscal Court issued obligations of \$26,680,000 to pay the bond issuance costs and to advance refund the following debt of the fiscal court: General Obligation Bonds, Series 2011 – SKyPAC Project (C above, and Warren County Downtown Economic Development Authority, Inc. First Mortgage Revenue Bonds (Downtown Parking Project), Series 2011 (Note 6B). Principal is payable annually on June 1. The interest rate varies from .59% to 2.73% with semi-annual interest payments on the first of June and December. The final maturity date of these bonds is June 1, 2038. As of June 30, 2022, the principal balance was \$25,020,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2023	\$ 1,015,000	\$ 502,256
2024	1,120,000	494,542
2025	1,185,000	483,566
2026	1,215,000	470,176
2027	1,300,000	453,773
2028-2032	7,520,000	1,911,871
2033-2037	9,530,000	1,030,089
2038	<u>2,135,000</u>	<u>58,285</u>
Totals	<u>\$ 25,020,000</u>	<u>\$ 5,404,558</u>

8. General Obligation Bonds, Series 2020

On December 14, 2020, the Warren County Fiscal Court issued obligations of \$12,200,000 for the purpose of financing (i) the cost of the acquisition, development, and construction of the sports complex, (ii) the acquisition, installation, and operation of voting machines to be owned and operated by the county and (iii) the acquisition and operation of fire trucks and equipment to be owned and operated by the county. Principal is paid annually on December 1. The interest rate varies from 1.125% to 5% with semi-annual interest payments due on the first of June and December. The final maturity date of these bonds is December 1, 2040.

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

- (a) by appropriate court action, enforce the general obligation pledge set forth in section 5 of the ordinance and section 11 of the lease so that during the remaining lease term there is levied on all the taxable property within the county, in addition to all other taxes, without limitation as to the rate or amount, a direct tax annually in an amount sufficient to pay the lease rental payments when and as due; and

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

Note 7. Long-term Debt (Continued)

B. Other Debt (Continued)

8. General Obligation Bonds, Series 2020 (Continued)

- (b) take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the facilities, or any portion thereof, under the lease (including, without limitation, the right to possession of the facilities, or any portion thereof, and the right to sell or re-lease or otherwise dispose of the facilities, or any portion thereof, in accordance with applicable law), and/or take whatever action at law or in equity may appear necessary or desirable to enforce performance by the lessee of the applicable covenants and agreements of the lessee under the lease (subject, however, to the limitations thereon contained in the lease) and to recover damages for the breach thereof.

As of June 30, 2022, the principal balance was \$11,795,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2023	\$ 430,000	\$ 345,288
2024	450,000	323,288
2025	475,000	300,162
2026	495,000	275,912
2027	520,000	250,538
2028-2032	3,025,000	836,003
2033-2037	3,430,000	429,475
2038-2041	2,970,000	118,022
Totals	<u>\$ 11,795,000</u>	<u>\$ 2,878,688</u>

C. Changes In Long-term Debt

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

	Beginning Balance *	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements *	\$ 7,853,791	\$	\$ 816,966	\$ 7,036,825	\$ 801,836
General Obligation Bonds and Revenue Bonds *	80,090,000		4,245,000	75,845,000	4,400,000
Total Long-term Debt	<u>\$ 87,943,791</u>	<u>\$ 0</u>	<u>\$ 5,061,966</u>	<u>\$82,881,825</u>	<u>\$ 5,201,836</u>

* * The beginning balance of direct borrowings and direct placements were restated by \$7,624,052 from general obligation and revenue bonds. In addition, general obligation and revenue bonds were report as other debt in the prior year.

WARREN 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
2023	\$ 4,400,000	\$ 2,205,026	\$ 801,836	\$ 157,255
2024	4,635,000	206,312	741,625	137,765
2025	4,770,000	1,904,764	754,580	120,111
2026	4,975,000	1,737,092	785,387	102,004
2027	5,245,000	1,558,926	810,556	83,235
2028-2032	24,210,000	5,372,495	3,142,841	140,775
2033-2037	21,010,000	2,441,063		
2038-2041	6,600,000	246,932		
Totals	<u>\$ 75,845,000</u>	<u>\$15,672,610</u>	<u>\$ 7,036,825</u>	<u>\$ 741,145</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. Commitment Debt

A. Inter-Model Transportation Authority

The City of Bowling Green (city) approved the issuance of General Obligation bonds (Series 2007 B & C) in the amount of \$27,415,000 during fiscal year ending June 30, 2008, to refinance the Inter-Modal Transportation Authority's (ITA) mortgage-backed bonds that were outstanding. As a result of the city issuing the General Obligation bonds, the city and the ITA entered into a Ground Lease Agreement which grants the city a leasehold interest in the land held in the Kentucky Transpark. In addition, a contract, lease, and option agreement was entered into between Warren County, the city and the ITA, whereas the city agreed to lease the land in the Kentucky Transpark to Warren County and the ITA for lease payments to be utilized by the city in support of the payment of principal and interest on the General Obligation bonds. Warren County and the city have each pledged to evenly share any shortfalls toward payment of debt service on outstanding bonds. In FY 2022, Warren County was required to fund an additional \$727,362 related to the required debt service payments.

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

Note 9. Commitment Debt (Continued)

A. Inter-Model Transportation Authority (Continued)

Additionally, a portion of the Series 2007B General Obligation Bonds were refinanced during FY 2018 through issuance of the Series 2016A General Obligation bonds. As of June 30, 2022, the outstanding balance of the Series 2016A General Obligation bonds was \$2,640,000. All of the Series 2007C General Obligation bonds were refinanced during FY 2016 through issuance of the 2016B General Obligation bonds. All of the Series 2007B General Obligation bonds were refinanced during FY 2018 through issuance of the 2016B General Obligation bonds. As of June 30, 2022, the outstanding balance of the Series 2016B General Obligation bonds was \$240,000.

The contract, lease, and option agreement is automatically renewed each year unless the county's written election not to exercise the option for the succeeding year is provided to the ITA, the city, and State Local Debt Officer of the Commonwealth of Kentucky at least 90 days prior to the July 1 renewal date.

B. Public Safety Mobile Radio Communication System

On June 7, 2013, the Warren County Fiscal Court passed an ordinance authorizing the purchase of a new public safety mobile radio communications system, jointly with the City of Bowling Green, Kentucky. The contracted price of the radio system is \$7,000,000; and Warren County's share of the project is \$3,640,000 (52%). The contractor bills costs as certain contractual milestones are met, with the final payment being due upon completion of the project. As of June 30, 2022, the fiscal court has paid \$4,518,343 (\$297,144 in fiscal year 2018, \$3,287 in fiscal year 2017, \$52,188 in fiscal year 2016, \$2,572,771 in fiscal year 2015 and \$1,592,953 in fiscal year 2014) on this project.

Note 10. Employee Retirement System

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

The county's contribution for FY 2020 was \$1,968,343, FY 2021 was \$2,095,109, and FY 2022 was \$2,430,803.

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.

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

Note 10. 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.

Hazardous

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

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

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

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

The county's contribution rate for hazardous employees was 44.33 percent.

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

Note 10. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

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

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

Benefits are covered under KRS 78.5536.

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

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

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

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

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

Note 10. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

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

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

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

D. Cost of Living Adjustments - Tier 1

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

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

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

F. Death Benefit

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

Ky. Ret. Sys. 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.

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

Note 11. Deferred Compensation

The Warren 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 12. Health Reimbursement Account/Flexible Spending Account

On May 7, 2021, the fiscal court approved to contract with a third-party administrator of a flexible benefits program which includes HRA, FSA, HSA, and dependent care FSA programs to provide employees an additional health benefit.

Effective January 1, 2018, the fiscal court authorized a \$500 monthly contribution for full time employee health insurance for those employees participating in the county sponsored wellness plan, \$450 monthly contribution for full time employee health insurance for those employees that do not participate in the county sponsored wellness plan and authorized a \$350 monthly HRA benefit for employees who waive county health insurance coverage. Health reimbursement account funds remaining at the end of each fiscal year roll forward to the next year. If employees are no longer employed by the fiscal court or decide to no longer participate in the health reimbursement account, the funds revert to the fiscal court. The balance of the plan as of June 30, 2022, was \$215,113. These funds will roll over to fiscal year 2023. The fiscal court also allows employees to contribute to flexible spending accounts through payroll deductions. These plans are also administered by the same third-party administrator. The fiscal court does not contribute to these accounts. These accounts are in the name of the employee.

Note 13. Insurance

For the fiscal year ended June 30, 2022, the Warren 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 14. Payroll Revolving Account

The reconciled balance of the payroll revolving account as of June 30, 2022, was added to the general fund cash balance for financial reporting purposes.

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

Note 15. 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 Warren 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.

Note 16. Tax Abatements

A. VVI Fulfillment Center, Inc.

The ad valorem tax was abated under authority of KRS 103.285 and Resolution No. 14-01, adopted by the county on January 24, 2014. VVI Fulfillment Center, Inc. (the company) is eligible to receive this tax abatement pursuant to a Payment in Lieu of Taxes (PILOT) Agreement dated as of December 1, 2014, which was authorized by Resolution No. 14-01. The ad valorem taxes are abated by a percentage reduction of the amount of the ad valorem tax levied by the county and the City of Bowling Green, Kentucky (the city), which percentages are set forth in the PILOT Agreement. A decrease of the ad valorem tax abatement can occur in the event the company does not achieve 90 percent of its job creation and capital expenditure estimates. The company estimated 150 new full-time jobs, 50 full-time equivalent jobs, over a four-year period, and projected investment of approximately \$26,000,000. The PILOT Agreement terminates on the day immediately following the date no bonds issued by the county pursuant to Resolution No. 14-06 remain issued and outstanding. Pursuant to KRS 103.230(2), the bonds do not represent an obligation of the county. For fiscal year ended June 30, 2022, the county abated ad valorem tax of \$16,458. As part of the PILOT Agreement, the county committed to abate only the ad valorem tax. No other county tax is abated. The city also entered into the PILOT Agreement.

B. Quiver Ventures, LLC

The ad valorem tax was abated under authority of KRS 103.285 and Resolution No. 14-19, adopted by the county on October 1, 2014. Quiver Ventures LLC, (the company) is eligible to receive this tax abatement pursuant to a Payment in Lieu of Taxes (PILOT) Agreement dated as of May 16, 2014, which was authorized by Resolution No. 14-09. The ad valorem taxes are abated by a percentage reduction of the amount of the ad valorem tax levied by the county and the City of Bowling Green, Kentucky (the city), which percentages are set forth in the PILOT Agreement. A decrease of the ad valorem tax abatement can occur in the event the company does not achieve 90 percent of its job creation and capital expenditure estimates. The company estimated 80 new full-time jobs, over a three-year period, and projected investment of approximately \$155,000,000. The PILOT Agreement terminates on the day immediately following the date no bonds issued by the county pursuant to Resolution No. 14-19 remain issued and outstanding. Pursuant to KRS 103.230(2), the bonds do not represent an obligation of the county. For fiscal year ended June 30, 2022, the county abated ad valorem tax of \$20,634. As part of the PILOT Agreement, the county committed to abate only the ad valorem tax. No other county tax is abated. The city also entered into the PILOT Agreement.

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

Note 16. Tax Abatements (Continued)

C. Wellspring Investments, LLC

The ad valorem tax was abated under authority of KRS 103.285 and Resolution No. 13-03, adopted by the county on April 12, 2013, which authorized the issuance of industrial building revenue bonds pursuant to KRS 103.200 to 103.285. Wellspring Investments, LLC (the company) is eligible to receive this tax abatement pursuant to a Payment in Lieu of Taxes (PILOT) Agreement dated as of December 30, 2013. New industrial revenue building bonds were authorized by Resolution No. 21-20 adopted by the county on July 13, 2021 and the continuance of the original PILOT Agreement, dated as of December 30, 2013, in accordance with its original terms and provisions was approved. The ad valorem taxes are abated by a percentage reduction of the amount of the ad valorem tax levied by the county and the City of Bowling Green, Kentucky (the city), which percentages are set forth in the PILOT Agreement. The PILOT Agreement terminates on the day immediately following the date no bonds issued by the county pursuant to Resolution No. 13-03 remain issued and outstanding or on the date fee simple title to the land described in the PILOT Agreement is transferred to the company or its assigns. Pursuant to KRS 103.230(2), the bonds do not represent an obligation of the county. For fiscal year ended June 30, 2022, the county abated ad valorem tax of \$15,950. As part of the PILOT Agreement, the county committed to abate only the ad valorem tax. No other county tax is abated. The city also entered into the PILOT Agreement. The bonds were refinanced on July 30, 2021, but the PILOT Agreement was not amended and remains effective in accordance with its terms.

D. Dellisart Wellspring, LLC

The ad valorem tax was abated under authority of KRS 103.285 and Resolution No. 13-03, adopted by the county on April 12, 2013, which authorized the issuance of industrial building revenue bonds pursuant to KRS 103.200 to 103.285. Dellisart Wellspring, LLC (the company) is eligible to receive this tax abatement pursuant to a Payment in Lieu of Taxes (PILOT) Agreement dated as of December 30, 2013. New industrial revenue building bonds were authorized by Resolution No. 21-21, adopted by the county on July 13, 2021, and the continuance of the original PILOT Agreement, dated as of December 30, 2013, in accordance with its original terms and provisions was approved. The ad valorem taxes are abated by a percentage reduction of the amount of the ad valorem tax levied by the county and the City of Bowling Green, Kentucky (the city), which percentages are set forth in the PILOT Agreement. The PILOT Agreement terminates on the day immediately following the date no bonds issued by the county pursuant to Resolution No. 13-03 remain issued and outstanding or on the date fee simple title to the land described in the PILOT Agreement is transferred to the company or its assigns. Pursuant to KRS 103.230(2), the bonds do not represent an obligation of the county. For fiscal year ended June 30, 2022, the county abated ad valorem tax of \$14,935. As part of the PILOT Agreement, the county committed to abate only the ad valorem tax. No other county tax is abated. The city also entered into the PILOT Agreement. The bonds were refinanced on July 30, 2021, but the PILOT Agreement was not amended and remains effective in accordance with its terms.

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

Note 16. Tax Abatements (Continued)

E. Bowling Green Metalforming, LLC

The ad valorem tax was abated under authority of KRS 103.285 and pursuant to an Amended and Restated Payment in Lieu of Taxes (AMENDED PILOT) Agreement, dated December 28, 2015. Bowling Green Metalforming, LLC (the company) is eligible to receive this tax abatement pursuant to the AMENDED PILOT Agreement. The property to which the AMENDED PILOT Agreement is applicable is owned by the South Central Kentucky Regional Development Authority (RDA), which issued its Taxable Industrial Building Revenue Bonds, Series 2015 (Series 2015 Bonds) for the purpose of financing the operational expansion of the manufacturing facility operated by the company. The ad valorem taxes are abated by a percentage reduction of the amount of the ad valorem tax levied by the county and the City of Bowling Green, Kentucky (the city), which percentages are set forth in the AMENDED PILOT Agreement. A decrease of the ad valorem tax abatement can occur in the event the company does not achieve 80 percent of its job creation and capital expenditure estimates. The company estimated 450 new full-time jobs, over a five year period, and projected investment of approximately \$210,000,000. The tax abatement percentage decrease is evaluated as of January 1, 2020. The AMENDED PILOT Agreement terminates on the day immediately following the date no Series 2015 Bonds remain issued and outstanding. Pursuant to KRS 103.230(2), the Series 2015 Bonds do not represent an obligation of the RDA or the county. For fiscal year ended June 30, 2022, the county abated ad valorem tax of \$71,239. As part of the AMENDED PILOT Agreement, the county committed to abate only the ad valorem tax. No other county tax is abated. The city also entered into the PILOT Agreement.

F. Bilstein Cold Rolled Steel LP

The ad valorem tax was abated under authority of KRS 103.285 and an Ordinance No. 17-27WC adopted by the county on June 30, 2017. Bilstein Cold Rolled Steel LP (the company) is eligible to receive this tax abatement pursuant to a Payment in Lieu of Taxes (PILOT) Agreement dated as of September 15, 2017, which was authorized the Ordinance No. 17-27WC. The ad valorem taxes are abated by a percentage reduction of the amount of the ad valorem tax levied by the county and the City of Bowling Green, Kentucky (the city), which percentages are set forth in the PILOT Agreement. The PILOT Agreement terminates on the day immediately following the date no bonds issued by the county pursuant to Ordinance No. 17-27WC remain issued and outstanding. Pursuant to KRS 103.230(2), the bonds do not represent an obligation of the county. For fiscal year ended June 30, 2022, the county abated ad valorem tax of \$9,570. As part of the PILOT Agreement, the county committed to abate only the ad valorem tax. No other county tax is abated. The city also entered into the PILOT Agreement.

G. Warren County Downtown Development Authority (Stupp Bridge)

The ad valorem tax was abated under authority of KRS 103.285. For fiscal year ended June 30, 2022, the county abated \$0 in ad valorem tax. No other county tax was abated.

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

Note 16. Tax Abatements (Continued)

H. Georgia Pacific Consumer Operations, LLC

The ad valorem tax was abated under authority of KRS 103.285 and Resolution No. 19-19 adopted by the county on September 23, 2019. Georgia Pacific Consumer Operations, LLC, (the company) is eligible to receive this tax abatement pursuant to a Payment in Lieu of Taxes (PILOT) Agreement dated as of October 25, 2019, which was authorized by Resolution No. 19-19. The ad valorem taxes are abated by a percentage reduction of the amount of the ad valorem tax levied by the county and the City of Bowling Green, Kentucky (the city), which percentages are set forth in the PILOT Agreement. A decrease of the ad valorem tax abatement can occur in the event the company does not achieve 90 percent of its job creation and capital expenditure estimates. The company estimated 50 new full-time jobs, over a three-year period, and projected investment of approximately \$110,000,000. The PILOT Agreement terminates on the day immediately following the date no bonds issued by the county pursuant to Resolution No. 19-19 remain issued and outstanding. Pursuant to KRS 103.230(2), the bonds do not represent an obligation of the county. For fiscal year ended June 30, 2022, the county abated ad valorem tax of \$10,005. As part of the PILOT Agreement, the county committed to abate only the ad valorem tax. No other county tax is abated. The city also entered into the PILOT Agreement.

I. NP Bowling Green Building 1, LLC

The ad valorem tax was abated under authority of KRS 103.285 and Resolution No. 17-02, adopted by the county on January 20, 2017, which authorized the issuance of industrial building revenue bonds pursuant to KRS 103.200 to 103.285. NP Bowling Green Building 1, LLC, as successor in interest to NP Bowling Green, LLC pursuant to an Assignment of Lease Agreement dated September 6, 2017 (the company) is eligible to receive this tax abatement pursuant to a Payment in Lieu of Taxes (PILOT) Agreement dated as of March 17, 2017. The ad valorem taxes are abated by a percentage reduction of the amount of the ad valorem tax levied by the county and the City of Bowling Green, Kentucky (the city), which percentages are set forth in the PILOT Agreement. The PILOT Agreement terminates on the day immediately following the date no bonds issued by the county pursuant to Resolution No. 17-02 remain issued and outstanding or on the date fee simple title to the land described in the PILOT Agreement is transferred to the company or its assigns. Pursuant to KRS 103.230(2), the bonds do not represent an obligation of the county. For fiscal year ended June 30, 2022, the county abated ad valorem tax of \$20,155. As part of the PILOT Agreement, the county committed to abate only the ad valorem tax. No other county tax is abated.

J. Crown Cork & Seal, USA, Inc.

The ad valorem tax was abated under authority of KRS 103.285 and Resolution No. 20-11, adopted by the county on March 25, 2020, which authorized the issuance of industrial building revenue bonds pursuant to KRS 103.200 to 103.285. Crown Cork & Seal USA, Inc. (the company) is eligible to receive this tax abatement pursuant to a Payment in Lieu of Taxes (PILOT) Agreement dated as of June 1, 2020. The ad valorem taxes are abated by a percentage reduction of the amount of the ad valorem tax levied by the county and the City of Bowling Green, Kentucky (the city), which percentages are set forth in the PILOT Agreement. The PILOT Agreement terminates on the day immediately following the date no bonds issued by the county pursuant to Resolution No. 20-11 remain issued and outstanding or on the date fee simple title to the land described in the PILOT Agreement is transferred to the company or its assigns. Pursuant to KRS 103.230(2), the bonds do not represent an obligation of the county. For fiscal year ended June 30, 2022, the county abated ad valorem tax of \$4,466. As part of the PILOT Agreement, the county committed to abate only the ad valorem tax. No other county tax is abated.

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

Note 16. Tax Abatements (Continued)

K. DG Fresh Distribution TX, LLC

The ad valorem tax was abated under authority of KRS 103.285 and Resolution No. 20-15, adopted by the county on July 24, 2020, which authorized the issuance of industrial building revenue bonds pursuant to KRS 103.200 to 103.285. DG Fresh Distribution TX, LLC. (the company) is eligible to receive this tax abatement pursuant to a Payment in Lieu of Taxes (PILOT) Agreement dated as of November 17, 2020. The ad valorem taxes are abated by a percentage reduction of the amount of the ad valorem tax levied by the county and the City of Bowling Green, Kentucky (the city), which percentages are set forth in the PILOT Agreement. The PILOT Agreement terminates on the day immediately following the date no bonds issued by the county pursuant to Resolution No. 20-15 remain issued and outstanding or on the date fee simple title to the land described in the PILOT Agreement is transferred to the company or its assigns. Pursuant to KRS 103.230(2), the bonds do not represent an obligation of the county. For fiscal year ended June 30, 2022, the county abated ad valorem tax of \$1,108. As part of the PILOT Agreement, the county committed to abate only the ad valorem tax. No other county tax is abated.

L. Nova Steel USA, Inc.

The ad valorem tax was abated under authority of KRS 103.285 and Resolution No. 21-1, adopted by the county on January 8, 2021, which authorized the issuance of industrial building revenue bonds pursuant to KRS 103.200 to 103.285. Nova Steel USA, Inc. (the company) is eligible to receive this tax abatement pursuant to a Payment in Lieu of Taxes (PILOT) Agreement dated as of February 1, 2021. The ad valorem taxes are abated by a percentage reduction of the amount of the ad valorem tax levied by the county and the City of Bowling Green, Kentucky (the city), which percentages are set forth in the PILOT Agreement. The PILOT Agreement terminates on the day immediately following the date no bonds issued by the county pursuant to Resolution No. 21-1 remain issued and outstanding or on the date fee simple title to the land described in the PILOT Agreement is transferred to the company or its assigns. Pursuant to KRS 103.230(2), the bonds do not represent an obligation of the county. For fiscal year ended June 30, 2022, the county abated ad valorem tax of \$4,604. As part of the PILOT Agreement, the county committed to abate only the ad valorem tax. No other county tax is abated.

M. Ball Metal Beverage Container Corp.

The ad valorem tax was abated under authority of KRS 103.285 and Resolution No. 21-05, adopted by the county on March 19, 2021, which authorized the issuance of industrial building revenue bonds pursuant to KRS 103.200 to 103.285. Ball Metal Beverage Container Corp. (the company) is eligible to receive this tax abatement pursuant to a Payment in Lieu of Taxes (PILOT) Agreement dated as of June 1, 2021. The ad valorem taxes are abated by a percentage reduction of the amount of the ad valorem tax levied by the county and the City of Bowling Green, Kentucky (the city), which percentages are set forth in the PILOT Agreement. The PILOT Agreement terminates on the day immediately following the date no bonds issued by the county pursuant to Resolution No. 21-05 remain issued and outstanding or on the date fee simple title to the land described in the PILOT Agreement is transferred to the company or its assigns. Pursuant to KRS 103.230(2), the bonds do not represent an obligation of the county. For fiscal year ended June 30, 2022, the county abated ad valorem tax of \$4,060. As part of the PILOT Agreement, the county committed to abate only the ad valorem tax. No other county tax is abated.

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

Note 16. Tax Abatements (Continued)

N. Fruehauf Inc.

The ad valorem tax was abated under authority of KRS 103.285 and Resolution No. 21-35, adopted by the county on December 6, 2021, which authorized the issuance of industrial building revenue bonds pursuant to KRS 103.200 to 103.285. Fruehauf, Inc. (the company) is eligible to receive this tax abatement pursuant to a Payment in Lieu of Taxes (PILOT) Agreement dated as of January 14, 2022. The ad valorem taxes are abated by a percentage reduction of the amount of the ad valorem tax levied by the county and the City of Bowling Green, Kentucky (the city), which percentages are set forth in the PILOT Agreement. The PILOT Agreement terminates on the day immediately following the date no bonds issued by the county pursuant to Resolution No. 21-35 remain issued and outstanding or on the date fee simple title to the land described in the PILOT Agreement is transferred to the company or its assigns. Pursuant to KRS 103.230(2), the bonds do not represent an obligation of the county. For fiscal year ended June 30, 2022, the county abated ad valorem tax of \$0. As part of the PILOT Agreement, the county committed to abate only the ad valorem tax. No other county tax is abated.

O. Tyson Processing Services, Inc.

The ad valorem tax was abated under authority of KRS 103.285 and Resolution No. 22-03, adopted by the county on February 11, 2022, which authorized the issuance of industrial building revenue bonds pursuant to KRS 103.200 to 103.285. Tyson Processing Services Inc. (the company) is eligible to receive this tax abatement pursuant to a Payment in Lieu of Taxes (PILOT) Agreement dated as of February 11, 2022. The ad valorem taxes are abated by a percentage reduction of the amount of the ad valorem tax levied by the county and the City of Bowling Green, Kentucky (the city), which percentages are set forth in the PILOT Agreement. The PILOT Agreement terminates on the day immediately following the date no bonds issued by the county pursuant to Resolution No. 22-03 remain issued and outstanding or on the date fee simple title to the land described in the PILOT Agreement is transferred to the company or its assigns. Pursuant to KRS 103.230(2), the bonds do not represent an obligation of the county. For fiscal year ended June 30, 2022, the county abated ad valorem tax of \$0. As part of the PILOT Agreement, the county committed to abate only the ad valorem tax. No other county tax is abated.

P. Envision.

This project has been authorized by Ordinance No. 22-22, adopted May 6, 2022, but has not been closed. Accordingly, the PILOT Agreement has not yet become effective.

Note 17. Prior Period Adjustments

	<u>Jail Fund</u>
Ending Fund Balance Prior Year	\$ 398,617
Prior Year Voided Checks	<u>3,569</u>
Beginning Fund Balance Restated	<u><u>\$ 402,186</u></u>

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

Note 18. Jail Food Service Maintenance Escrow Account

On December 1, 2017, the Warren County Fiscal Court approved a food service contract which included “The vendor will establish and fund an escrow account at a rate of \$.04 per meal set aside for repair maintenance for the life of the contract.” Upon termination of contract, the balance of the account will be turned over to the Warren County Regional Jail. As of June 30, 2022, the balance was \$12,488.

WARREN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2022

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WARREN 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	\$ 22,060,000	\$ 22,060,000	\$ 25,514,972	\$ 3,454,972
In Lieu Tax Payments	195,000	195,000	162,852	(32,148)
Excess Fees	1,465,000	1,465,000	1,776,990	311,990
Licenses and Permits	1,875,000	1,875,000	2,743,382	868,382
Intergovernmental	3,309,200	3,309,200	4,233,836	924,636
Charges for Services	440,500	440,500	313,817	(126,683)
Miscellaneous	348,000	348,000	380,256	32,256
Interest	982,645	982,645	1,002,907	20,262
Total Receipts	30,675,345	30,675,345	36,129,012	5,453,667
DISBURSEMENTS				
General Government	9,480,528	10,296,747	10,053,372	243,375
Protection to Persons and Property	2,397,429	3,650,384	3,307,486	342,898
General Health and Sanitation	492,797	959,153	684,615	274,538
Social Services	245,100	250,100	162,205	87,895
Recreation and Culture	5,533,546	9,708,761	9,434,427	274,334
Airports	142,139	142,139	132,083	10,056
Debt Service	3,606,500	16,152,697	4,008,614	12,144,083
Capital Projects	3,056,115	11,880,549	11,139,517	741,032
Administration	3,344,366	3,804,187	2,129,251	1,674,936
Total Disbursements	28,298,520	56,844,717	41,051,570	15,793,147
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	2,376,825	(26,169,372)	(4,922,558)	21,246,814
Other Adjustments to Cash (Uses)				
Transfers From Other Funds		4,350,000	5,000,000	650,000
Transfers To Other Funds	(2,376,825)	(2,376,825)	(2,284,436)	92,389
Total Other Adjustments to Cash (Uses)	(2,376,825)	1,973,175	2,715,564	742,389
Net Change in Fund Balance		(24,196,197)	(2,206,994)	21,989,203
Fund Balance - Beginning		24,196,197	67,370,546	43,174,349
Fund Balance - Ending	\$ 0	\$ 0	\$ 65,163,552	\$ 65,163,552

WARREN 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	\$ 2,624,268	\$ 3,148,301	\$ 3,489,147	\$ 340,846
Miscellaneous	40,000	40,000	60	(39,940)
Total Receipts	2,664,268	3,188,301	3,489,207	300,906
DISBURSEMENTS				
Roads	2,350,769	3,520,401	3,234,756	285,645
Road Facilities	7,500	7,500		7,500
Capital Projects	800,000	224,904	224,904	
Administration	640,435	657,027	462,475	194,552
Total Disbursements	3,798,704	4,409,832	3,922,135	487,697
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,134,436)	(1,221,531)	(432,928)	788,603
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,134,436	1,134,436	1,134,436	
Total Other Adjustments to Cash (Uses)	1,134,436	1,134,436	1,134,436	
Net Change in Fund Balance		(87,095)	701,508	788,603
Fund Balance - Beginning		87,095	87,096	1
Fund Balance - Ending	\$ 0	\$ 0	\$ 788,604	\$ 788,604

WARREN 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	\$ 5,966,223	\$ 5,966,223	\$ 6,710,193	\$ 743,970
Charges for Services	222,550	222,550	252,520	29,970
Miscellaneous	1,336,000	1,336,000	713,672	(622,328)
Interest	2,250	2,250	4,076	1,826
Total Receipts	<u>7,527,023</u>	<u>7,527,023</u>	<u>7,680,461</u>	<u>153,438</u>
DISBURSEMENTS				
Protection to Persons and Property	6,546,161	7,188,277	6,770,910	417,367
Administration	<u>2,143,251</u>	<u>2,151,135</u>	<u>1,843,738</u>	<u>307,397</u>
Total Disbursements	<u>8,689,412</u>	<u>9,339,412</u>	<u>8,614,648</u>	<u>724,764</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,162,389)</u>	<u>(1,812,389)</u>	<u>(934,187)</u>	<u>878,202</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>1,162,389</u>	<u>1,812,389</u>	<u>1,150,000</u>	<u>(662,389)</u>
Total Other Adjustments to Cash (Uses)	<u>1,162,389</u>	<u>1,812,389</u>	<u>1,150,000</u>	<u>(662,389)</u>
Net Change in Fund Balance			215,813	215,813
Fund Balance - Beginning (Restated)			<u>402,186</u>	<u>402,186</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 617,999</u>	<u>\$ 617,999</u>

WARREN 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	\$ 314,470	\$ 314,470	\$ 328,793	\$ 14,323
Interest	325	325	4,480	4,155
Total Receipts	314,795	314,795	333,273	18,478
DISBURSEMENTS				
General Government	211,213	211,213	182,500	28,713
Protection to Persons and Property	35,000	35,000	14,224	20,776
Social Services	55,500	55,500	51,900	3,600
Roads	20,000	20,000		20,000
Administration	100	100		100
Total Disbursements	321,813	321,813	248,624	73,189
Net Change in Fund Balance	(7,018)	(7,018)	84,649	91,667
Fund Balance - Beginning	7,018	7,018	940,125	933,107
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,024,774	\$ 1,024,774

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

	GRANTS FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 20,800,000	\$ 20,800,000	\$ 13,169,104	\$ (7,630,896)
Total Receipts	20,800,000	20,800,000	13,169,104	(7,630,896)
DISBURSEMENTS				
Capital Projects	20,800,000	20,800,000	2,754,236	18,045,764
Administration		(5,000,000)		(5,000,000)
Total Disbursements	20,800,000	15,800,000	2,754,236	13,045,764
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		5,000,000	10,414,868	5,414,868
Other Adjustments to Cash (Uses)				
Transfers To Other Funds		(5,000,000)	(5,000,000)	
Total Other Adjustments to Cash (Uses)		(5,000,000)	(5,000,000)	
Net Change in Fund Balance			5,414,868	5,414,868
Fund Balance - Beginning			13,199,791	13,199,791
Fund Balance - Ending	\$ 0	\$ 0	\$ 18,614,659	\$ 18,614,659

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

	EMERGENCY 911 FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 180,000	\$ 180,000	\$ 182,606	\$ 2,606
Total Receipts	180,000	180,000	182,606	2,606
DISBURSEMENTS				
General Government				
Protection to Persons and Property	260,000	260,000	158,605	101,395
Total Disbursements	260,000	260,000	158,605	101,395
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(80,000)	(80,000)	24,001	104,001
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	80,000	80,000		(80,000)
Total Other Adjustments to Cash (Uses)	80,000	80,000		(80,000)
Net Change in Fund Balance			24,001	24,001
Fund Balance - Beginning			19,627	19,627
Fund Balance - Ending	\$ 0	\$ 0	\$ 43,628	\$ 43,628

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

FEDERAL DRUG FORFEITURE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$	\$	\$ 22	\$ 22
Total Receipts			22	22
DISBURSEMENTS				
Protection to Persons and Property	4,000	4,000	2,238	1,762
Total Disbursements	4,000	4,000	2,238	1,762
Net Change in Fund Balance	(4,000)	(4,000)	(2,216)	1,784
Fund Balance - Beginning	4,000	4,000	4,190	190
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,974	\$ 1,974

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

STORM WATER FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Charges for Services	\$ 1,481,098	\$ 1,481,098	\$ 1,328,271	\$ (152,827)
Miscellaneous	2,000	2,000		(2,000)
Interest	28,400	28,400	47,227	18,827
Total Receipts	<u>1,511,498</u>	<u>1,511,498</u>	<u>1,375,498</u>	<u>(136,000)</u>
DISBURSEMENTS				
General Health and Sanitation	<u>1,632,569</u>	<u>1,632,569</u>	<u>1,004,058</u>	<u>628,511</u>
Total Disbursements	<u>1,632,569</u>	<u>1,632,569</u>	<u>1,004,058</u>	<u>628,511</u>
Net Change in Fund Balance	(121,071)	(121,071)	371,440	492,511
Fund Balance - Beginning	<u>121,071</u>	<u>121,071</u>	<u>3,185,085</u>	<u>3,064,014</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,556,525</u>	<u>\$ 3,556,525</u>

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

TRANSIENT ROOM TAX FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,100,000	\$ 1,100,000	\$ 1,368,621	\$ 268,621
Interest	20,353	20,353	1,359	(18,994)
Total Receipts	1,120,353	1,120,353	1,369,980	249,627
DISBURSEMENTS				
Recreation and Culture	1,265	1,265		1,265
Debt Service	518,938	518,938	518,938	
Administration	100,150	100,150	236	99,914
Total Disbursements	620,353	620,353	519,174	101,179
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	500,000	500,000	850,806	350,806
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(500,000)	(500,000)		500,000
Total Other Adjustments to Cash (Uses)	(500,000)	(500,000)		500,000
Net Change in Fund Balance			850,806	850,806
Fund Balance - Beginning			2,155,806	2,155,806
Fund Balance - Ending	\$ 0	\$ 0	\$ 3,006,612	\$ 3,006,612

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

TAX INCREMENTAL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,200,000	\$ 1,200,000	\$ 1,474,438	\$ 274,438
Miscellaneous			252,861	252,861
Interest	100	100	722	622
Total Receipts	<u>1,200,100</u>	<u>1,200,100</u>	<u>1,728,021</u>	<u>527,921</u>
DISBURSEMENTS				
Debt Service	1,513,688	1,513,688	1,513,688	
Administration	186,412	186,412	5,050	181,362
Total Disbursements	<u>1,700,100</u>	<u>1,700,100</u>	<u>1,518,738</u>	<u>181,362</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(500,000)</u>	<u>(500,000)</u>	<u>209,283</u>	<u>709,283</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>500,000</u>	<u>500,000</u>		<u>(500,000)</u>
Total Other Adjustments to Cash (Uses)	<u>500,000</u>	<u>500,000</u>		<u>(500,000)</u>
Net Change in Fund Balance			209,283	209,283
Fund Balance - Beginning			<u>595,227</u>	<u>595,227</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 804,510</u>	<u>\$ 804,510</u>

WARREN 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. Reconciliation of the General Fund

Reconciliation of the General Fund

Other Adjustments to Cash (Uses) - Budgetary Basis	\$ 2,715,564
To adjust for Payroll Revolving Account	<u>75,848</u>
Total Other Adjustments to Cash (Uses) - Regulatory Basis	<u><u>\$ 2,791,412</u></u>
 Fund Balance - Ending - Budgetary Basis	 \$ 65,163,552
To adjust for Payroll Revolving Account	<u>75,848</u>
Total Fund Balance - Ending - Regulatory Basis	<u><u>\$ 65,239,400</u></u>

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WARREN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2022

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WARREN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity's Identifying Number	Provided to Subrecipient	Total Federal Expenditures
<u>U. S. Department of Housing and Urban Development</u>				
<i>Passed-Through Kentucky Department for Local Government</i>				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	19-064	\$	\$ 190,000
Total U.S. Department of Housing and Urban Development			<u>\$</u>	<u>\$ 190,000</u>
<u>U. S. Department of Justice</u>				
<i>Direct Program</i>				
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745		\$	\$ 36,820
<i>Passed-Through Kentucky Justice and Public Safety Cabinet</i>				
Violence Against Women Formula Grants	16.588	VAWA-2021-Warren C-00042		11,310
Edward Byrne Memorial Justice Assistance Grant Program	16.738	15PBJA-21-GG-01495-JAGX		16,288
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2020-JAG-Bowling GR-01226		31,586
Edward Byrne Memorial Justice Assistance Grant Program	16.738	JAG-2021-Warren C 00031		117,974
Total U.S. Department of Justice			<u>\$</u>	<u>\$ 213,978</u>
<u>U. S. Department of Treasury</u>				
<i>Direct Program</i>				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027		\$ 1,000,000	\$ 7,315,644
Total U.S. Department of Treasury			<u>\$ 1,000,000</u>	<u>\$ 7,315,644</u>
<u>Executive Office of the President</u>				
<i>Passed-Through Appalachia HIDTA</i>				
High Intensity Drug Trafficking Areas Program	95.001	G21AP0001A	\$	\$ 29,088
High Intensity Drug Trafficking Areas Program	95.001	G22AP0001A		36,897
Total Executive Office of the President			<u>\$</u>	<u>\$ 65,985</u>

The accompanying notes are an integral part of this schedule.

WARREN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2022
(Continued)

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity's Identifying Number	Provided to Subrecipient	Total Federal Expenditures
<u>U.S. Department of Homeland Security</u>				
<i>Passed-Through Kentucky Emergency Management</i>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PA-04-KY-4630-PW-0110	\$	\$ 11,367
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PA-04-KY-4630-PW-0203		519,149
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PA-04-KY-4630-PW-0202		359,338
<i>Passed-Through Plano Fire Department</i>				
Hazard Mitigation Grant	97.039	DR4358-0008		33,400
Total U.S. Department of Homeland Security			\$	\$ 923,254
Total Expenditures of Federal Awards			\$ 1,000,000	\$ 8,708,861

The accompanying notes are an integral part of this schedule.

WARREN COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2022

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Warren County, Kentucky under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Warren County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Warren County, Kentucky.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rate

Warren County has not adopted an indirect cost rate and has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4. Subrecipients

Program	CFDA Number	Subrecipient	Pass-Through Grant Amount
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Live the Dream Development, Inc.	\$ 1,000,000

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WARREN COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2022

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WARREN COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2022

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 7,887,491	\$	\$	\$ 7,887,491
Land Improvements	5,938,408	64,000		6,002,408
Construction In Progress		1,740,216		1,740,216
Buildings and Building Improvements	76,537,803	1,517,236		78,055,039
Vehicles	11,664,348	275,346	147,892	11,791,802
Machinery and Equipment	8,786,568	1,259,306	90,204	9,955,670
Infrastructure	130,743,096	1,451,939		132,195,035
 Total Capital Assets	 <u>\$ 241,557,714</u>	 <u>\$ 6,308,043</u>	 <u>\$ 238,096</u>	 <u>\$ 247,627,661</u>

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

June 30, 2022

Note 1. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture, and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported as other information. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	10-60
Buildings and Building Improvements	\$ 50,000	10-75
Machinery and Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	3-25
Infrastructure	\$ 25,000	10-50

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

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 Doug Gorman, Warren County Judge/Executive
The Honorable Michael O. Buchanon, Former Warren County Judge/Executive
Members of the Warren 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 Warren County Fiscal Court for the fiscal year ended June 30, 2022, and the related notes to the financial statement which collectively comprise the Warren County Fiscal Court's financial statement and have issued our report thereon dated December 15, 2022.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2022-001, 2022-002, and 2022-003 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)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Warren 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 Schedule of Findings and Questioned Costs as items 2022-001, 2022-002, and 2022-003.

Views of Responsible Official and Planned Corrective Action

Warren County's views and planned corrective action for the findings identified in our audit are included in the accompanying Schedule of Findings and Questioned Costs. The county's responses were not subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

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

Mike Harmon
Auditor of Public Accounts
Frankfort, Ky

December 15, 2022

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

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

Independent Auditor's Report

The Honorable Michael O. Buchanon, former Warren County Judge/Executive
The Honorable Doug Gorman, Warren County Judge/Executive
Members of the Warren County Fiscal Court

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinion

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

Qualified Opinion on Coronavirus State and Local Fiscal Recovery Funds

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, Warren County Fiscal Court complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Warren County Fiscal Court complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2022.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.



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

Basis for Qualified and Unmodified Opinions (Continued)

We are required to be independent of Warren County Fiscal Court and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Warren County Fiscal Court's compliance with the compliance requirements referred to above.

Matter Giving Rise to Qualified Opinion on Coronavirus State and Local Fiscal Recovery Funds

As described in the accompanying Schedule of Findings and Questioned Costs, Warren County Fiscal Court did not comply with requirements regarding Assistance Listing No. 21.027 COVID-19 - Coronavirus State and Local Fiscal Recovery Funds as described in finding number 2022-004 for Subrecipient Monitoring.

Compliance with such requirements is necessary, in our opinion, for Warren County Fiscal Court to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Warren County Fiscal Court's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Warren County Fiscal Court's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Warren County Fiscal Court's internal control over compliance. Accordingly, no such opinion is expressed.

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

Auditor's Responsibilities for the Audit of Compliance (Continued)

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

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2022-004. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Warren County Fiscal Court's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Warren County Fiscal Court's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2022-004 to be a material weakness.

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

Government Auditing Standards requires the auditor to perform limited procedures on Warren County Fiscal Court's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Warren County Fiscal Court's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Report on Internal Control over Compliance (Continued)

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

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

Mike Harmon
Auditor of Public Accounts
Frankfort, Ky

December 15, 2022

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

For The Year Ended June 30, 2022

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

For The Year Ended June 30, 2022

Section I: Summary of Auditor's Results

Financial Statement

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

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000	
Auditee qualified as a low-risk auditee?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

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

Section II: Financial Statement Findings

2022-001 The Warren 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 total budgeted amount for receipts per the approved budget and approved budget amendments did not agree to the amount reported as the budgeted amounts per the fourth quarter report. The budgeted receipts for the grants fund were understated by \$5,000,000. Additionally, the budgeted amounts on the fourth quarter financial report were out of balance by \$5,000,000.
 - The fourth quarter financial report showed \$12,096,197 in bond proceeds and corresponding debt service payments for a bond defeasance payoff made in error. The series 2011 bonds were refunded in the prior fiscal year and funds were placed in an escrow to pay the bonds once they were called. The county received a bill from the trustee in error in December 2021 and paid it on December 17, 2021. The trustee discovered the error in January 2022 and refunded the fiscal court for the duplicate payment.
 - A cash transfer from the general fund to the jail fund in the amount of \$300,000 was omitted from the fourth quarter financial report.
- All four quarterly financial reports for fiscal year 2022 were presented to fiscal court late. The fourth quarter financial report was not submitted to the Department for Local Government until August 12, 2022.
- All 12 months of the county treasurer's financial reports for fiscal year 2022 were presented to the fiscal court late.
- Resolution 22-23 amending the general and jail funds' budgets each by \$650,000 was approved as an emergency amendment, when no emergency had been declared.
- There was no documentation of internal controls over the preparation and reporting of the Schedule of Expenditures of Federal Awards (SEFA).

The Warren 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. The following circumstances also created the issues above:

- When entering the budget amendment for the grants fund the assistant county treasurer mistakenly entered the \$5,000,000 budget amendment to both prior year surplus and transfers out.
- The treasurer instructed the escrow bill be paid prior to following up on the unusual large payment.
- The county treasurer was not sure if the jail fund would need the \$300,000 cash transfer which had been approved by the fiscal court on June 24, 2022. The assistant county treasurer prepared the check on June 24, 2022, but it wasn't posted until July 2022, therefore the activity was not accounted for until fiscal year 2023.
- The county treasurer stated he does not receive some of his bank statements until after the tenth of the month.
- The fiscal court approved the \$650,000 amendment as an emergency due to the county treasurer's belief that the jail had exceeded their budget and would not be able to pay bills without an emergency amendment before the end of the fiscal year.

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

Section II: Financial Statement Findings (Continued)

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

Due to the fiscal court's lack of effective oversight of the treasury functions, the deficiencies, non-compliances, and undetected errors noted above pertaining to required record-keeping occurred without detection. The fiscal court was unable to properly budget and plan for the following fiscal year due to inaccurate financial information being presented. The \$12,096,197 payment in error would have had a significant bearing on the county's financial status if the bond trustee had not caught the error and refunded the county.

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 adherence to applicable laws and regulations.

KRS 65.905(2) requires, "[t]he final quarterly report filed by a county within fifteen (15) days after the end of the last quarter of the fiscal year, in accordance with KRS 68.360(2), shall be deemed the uniform financial information report for that county for purposes of compliance with KRS 65.900 to 65.925."

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 formant 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. The manual goes on to state, "[a] budget amendment is an ordinance and must be approved by the fiscal court in the statutorily prescribed manner including advertising and publishing requirements. All amendments to a county budget must be approved by the State Local Finance Officer as mandated by KRS 68.280." It further states, "[a]ny amendments to a county budget submitted to the State Local Finance Officer on an emergency basis must strictly adhere to the provisions of KRS 67.078 and a photocopy of the fiscal court order naming and describing the emergency must accompany the budget amendment pursuant to KRS 68.280."

In addition, KRS 68.360(1) states, "[t]he county treasurer shall balance his books on the first day of each month, so as to show the correct amount on hand belonging to each fund on the day the balance is made, and shall within ten (10) days file with the county judge/executive and members of the fiscal court a monthly statement containing a list of warrants paid by him during the month, showing all cash receipts and the cash balance at the beginning and at the end of the month, and certifying that each warrant or contract is within the budget appropriation." Additionally, KRS 68.360(2) states, "[t]he county judge/executive shall, within fifteen (15) days after the end of each quarter of each fiscal year, prepare a statement showing for the current fiscal year to date actual receipts from each county revenue source, the totals of all encumbrances and expenditures charged against each budget fund, the unencumbered balance of the fund, and any transfers made to or from the fund. The county judge/executive shall post the statement in a conspicuous place in the courthouse near the front door for at least ten (10) consecutive days and transmit a copy to the fiscal court and to the state-local finance officer. The statement shall be read at the next meeting of the fiscal court."

We recommend the Warren County Fiscal Court strengthen oversight and internal controls over financial reporting in order to ensure complete and accurate 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. We also recommend the fiscal court scrutinize any unusual amounts or variances noted on the quarterly reports.

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

Section II: Financial Statement Findings (Continued)

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

Views of Responsible Official and Planned Corrective Action:

Former County Judge/Executive's Response: In response to the fourth quarter financial report being inaccurate in the grant fund this was due to a manual typo by the treasurer's office and the amount was entered into the wrong column. The quarterly report was reviewed by both the treasurer and Dept for Local Govt and all aspects that were checked were in balance but this oversight was missed. Budget Amendments will be double checked in the future on quarterly reports and I don't expect this manual error to happen again.

In response to the posting of the \$12,096,197 bond payoff, this invoice was sent to the treasurer's office to be paid but the escrow agent also wired the money to the bond trustee without communicating with the treasurer's office. Once the statement was received by the treasurer's office in January the funds were asked to be sent back due to the duplicate payment and they were received.

Currently it is still not possible to get the quarterly reports to DLG by the 20th of the following month following quarter end due to several statements cutting off on the 15th of the month and those statements being received on the 18th or 19th of the month. The quarterly is still done manually and takes 4-5 full working days to complete. The correction being put in place is to get online statements sent to the treasurer's office on the first of the month and to switch the accounts cutting off on the 15th to the 1st.

Treasurer Reports will be submitted timely even though all the information will not be collected to meet the timeline.

County Judge will declare an emergency prior to any emergency budget amendments.

The Treasurer works in unison with every dept head and the grant writer to ensure the SEF A is done correctly. The oversight of not sending in with 4th quarter financial report will be corrected but there was no notification from DLG that we were not in compliance.

2022-002 The Warren County Fiscal Court's Purchase Order Process Did Not Function As Designed

The Warren County Fiscal Court's purchase order process did not function as designed. Purchase orders were either not issued for all purchases or in other instances were issued after the purchase had been made and the invoice was received.

We tested 72 transactions totaling \$21,057,808. One of these transactions in the amount of \$123 did not have a purchase order prepared for the purchase. Thirty of these transactions totaling \$9,445,802 had purchase orders prepared after the invoice date was received from the vendor. Furthermore, four transactions totaling \$2,727,724 were paid after 30 working days.

Due to the purchase order process not working as designed, encumbrances listed on the fourth quarter financial statement were not accurate. Outstanding invoices were not properly being shown as encumbrances.

According to the assistant treasurer she was unaware of any issues with the purchase order process and would work to fix this. She also stated that due to the size of Warren County and the lack of staffing, it is very difficult to approve purchase orders for all departments prior to purchases being made. The issues noted above could result in line-items being over budget, claims being paid which are not valid obligations of the fiscal court, inaccurate reporting, and misappropriation of assets.

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

Section II: Financial Statement Findings (Continued)

2022-002 The Warren County Fiscal Court's Purchase Order Process Did Not Function As Designed
 (Continued)

KRS 68.210 gives the state local finance officer the authority to prescribe a system of uniform accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* states, “[p]urchase requests shall not be approved in an amount that exceeds the available line item appropriation unless the necessary and appropriate transfers have been made.”

In addition, 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 the practice of issuing purchase orders for payroll and utility claims.

KRS 65.140(2) states, “[u]less the purchaser and vendor otherwise contract, all bills for goods or services shall be paid within thirty (30) working days of receipts of a vendor’s invoice except when payment is delayed because the purchaser has made a written disapproval of improper performances or improper invoicing by the vendor or by the vendor’s subcontractor.”

Lastly, strong internal controls dictate the purchase orders be issued and approved prior to items being ordered and expenses being incurred, in order to ensure available line item appropriation exists, as well as ensuring invoices are paid within 30 working days.

We recommend the Warren County Fiscal Court strengthen internal controls over disbursements by ensuring that purchase orders are issued prior to all purchases being made and that all invoices are paid within 30 working days. We further recommend that the fiscal court use these purchase orders to keep an accurate list of encumbrances.

Views of Responsible Official and Planned Corrective Action:

Former County Judge/Executive's Response: County Treasurer's office is currently soliciting vendors for a new purchase order system. The correction will be a new system that will issue a PO prior to any purchase being made. Currently there are manual POs being done prior to purchases and some dates did not match correctly with invoice dates although sometimes the invoices are received by the county much later than the invoice date on the invoice.

2022-003 The Warren County Fiscal Judge/Executive Failed To Require Encumbrances Reported On The Fourth Quarter Financial Report Be Properly Supported

Warren County’s encumbrances reported on the fourth quarter financial report were not properly supported. The June 30, 2022 encumbrance list provided to auditors did not agree to the amounts reported on the fourth quarter financial report, with the exception of the road fund. Further, encumbrances totaling \$4,196,504 for the general, jail, grants, and storm water funds could not be supported.

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

Section II: Financial Statement Findings (Continued)

2022-003 The Warren County Fiscal Judge/Executive Failed To Require Encumbrances Reported On The Fourth Quarter Financial Report Be Properly Supported

The county judge/executive failed to require encumbrances reported on the fourth quarter financial report be properly supported. By not properly supporting encumbrances, amounts reflected on the fourth quarter financial report could be incorrect, which could result in inaccurate cash balances and fail to alert management to any possible cash flow issues.

KRS 68.360(2) states, in part, “[t]he county judge/executive shall within (15) days after the end of each quarter of each fiscal year, prepare a statement showing for the current fiscal year to date actual receipts from each county revenue source, the totals of all encumbrances and expenditures charged against each budget fund, the unencumbered balance of the fund, and any transfers made to or from the fund.” Additionally, KRS 68.210 gives the state local finance officer the authority to prescribe a system of uniform accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* requires the county to disclose encumbrances on the face of the fourth quarter financial report. Furthermore, good internal controls dictate the fiscal court monitor line items to ensure that there is ample funds and disbursement is within budget prior to approving payment of bills.

We recommend the county maintain an encumbrance listing and properly report encumbrances on the fourth quarter financial report in order to accurately disclose unencumbered fund balances.

Views of Responsible Official and Planned Corrective Action:

Former County Judge/Executive’s Response: County Treasurer understood an encumbrance to be when an expense is approved by fiscal court to be paid but the state interprets an encumbrance to be when the county receives an invoice. Some of the encumbrances listed are approved expenditures that will have to be paid in the future but the county has yet to be billed for. The \$4,196,504 is comprised mostly of \$3,440,635 of broadband work that was agreed on but the county had yet to be billed for yet and a \$200,000 dump truck ordered in 2020 for the road dept that has still not been received, these are considered by the state as not encumbrances but by definition are encumbrances.

Auditor’s Reply: The county treasurer failed to provide documentation to support the encumbrance amounts on the fourth quarter financial statement that was submitted to the Department for Local Government (DLG). DLG’s *County Budget Preparation and State Local Finance Officer Policy Manual* has the following instructions for presenting encumbrances. “Total Encumbrances – Enter the total dollar amount of unpaid purchase orders from the purchase order journal.” See finding 2022-002 that discusses issues noted with the county’s purchase order system.

Section III: Federal Award Findings And Questioned Costs

2022-004 The Warren County Fiscal Court Failed To Implement Adequate Internal Controls Over Subrecipient Monitoring

Federal Program: 21.027 COVID-19 - Coronavirus State And Local Fiscal Recovery Funds

Award Number and Year: 1505-0271 2021

Name of Federal Agency and Pass-Thru Agency (if applicable): U.S. Department of the Treasury

Compliance Requirements: Subrecipient Monitoring

Type of Finding: Material Weakness

Amount of Questioned Costs: None

Opinion Modification (if applicable): Yes, Qualified

COVID Related: Yes

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

Section III: Federal Award Findings And Questioned Costs (Continued)

2022-004 The Warren County Fiscal Court Failed To Implement Adequate Internal Controls Over Subrecipient Monitoring (Continued)

The Warren County Fiscal Court failed to implement adequate internal controls over subrecipient monitoring. The fiscal court granted a subaward of Coronavirus State And Local Fiscal Recovery Funds to Live the Dream Development, Inc. in the amount of \$1,000,000 for an affordable housing project. As a requirement of the subaward, the subrecipient is required to submit quarterly progress and financial reports to the fiscal court. The fiscal court did not receive any quarterly subrecipient progress or financial reports during the 2021-2022 fiscal year. Awards unspent as of December 31, 2024 are required to be returned to the Warren County Fiscal Court.

The award of \$1,000,000 was paid on February 14, 2022. Subrecipient reports were not submitted by the subrecipient for quarters ending on March 31, 2022 or June 30, 2022.

This was caused by an oversight of the fiscal court. The county treasurer was unaware that reports needed to be submitted to the fiscal court even if none of the funds have been spent by the subrecipient. The treasurer was under the assumption that the project had not been started as of June 30, 2022.

By not receiving adequate subrecipient monitoring documentation, the fiscal court is unable to document their supervision of the subaward to the agency to ensure requirements for the federal monies are being followed. Additionally, unallowable activities could go unnoticed due to the lack of oversight. In addition, the opinion was modified.

2 CFR 200.332 lists the requirements for pass-through entities. 2 CFR 220.332(d) requires all pass-through entities to "Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include: (1) Reviewing financial and performance reports required by the pass-through entity."

Additionally, 2 CFR 200.501(a) states "A non-federal entity that expends \$750,000 or more during the non-Federal entity's fiscal year in Federal awards must have a single or program-specific audit conducted for that year in accordance with the provisions of this part."

This is not a repeat finding from the previous year.

Views of Responsible Official and Planned Corrective Action:

Former County Judge/Executive's Response: The Treasurer and County Judge have been in communication with Live the Dream Development about proper sub recipient reporting and they are providing quarterly reports. The project had not started and there was some confusion on whether they had to report that they hadn't started. They had communicated this verbally to the county but a written report was not received by June 30, 2022.

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

Section IV: Summary Schedule of Prior Audit Findings

Finding Number	Prior Year Finding Title	Status	Corrective Action
2021-001	WCFC did not budget or record 2020 GO Lease Transactions	Resolved	Agency recorded transaction of bond payoff in 2022 fiscal year however it was incorrectly recorded but as far as trying to resolve this was attempted.

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

WARREN COUNTY FISCAL COURT

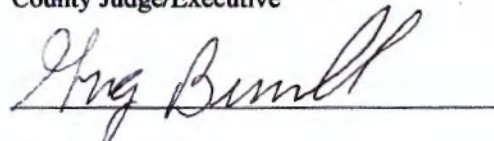
For The Year Ended June 30, 2022

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CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
COUNTY FISCAL COURT

For The Year Ended June 30, 2022

The Warren 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