

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

**For The Year Ended  
June 30, 2020**



**MIKE HARMON  
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CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT .....	1
KNOX COUNTY OFFICIALS .....	4
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - REGULATORY BASIS.....	6
NOTES TO FINANCIAL STATEMENT.....	10
BUDGETARY COMPARISON SCHEDULES.....	25
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES.....	35
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	39
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS .....	40
SCHEDULE OF CAPITAL ASSETS.....	43
NOTES TO OTHER INFORMATION - REGULATORY BASIS SCHEDULE OF CAPITAL ASSETS.....	44
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> .....	47
REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE.....	51
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	57
APPENDIX A: CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	

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**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

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

Independent Auditor's Report

**Report on the Financial Statement**

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Knox County Fiscal Court, for the year ended June 30, 2020, and the related notes to the financial statement which collectively comprise the Knox County Fiscal Court's financial statement as listed in the table of contents.

**Management's Responsibility for the Financial Statement**

Management is responsible for the preparation and fair presentation of this 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 Responsibility**

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Audit Guide for Fiscal Court Audits* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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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 Knox 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.

### **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 paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Knox County Fiscal Court as of June 30, 2020, or changes in financial position or cash flows thereof for the year then ended.

### **Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of the Knox County Fiscal Court as of June 30, 2020, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

### **Other Matters**

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Knox County Fiscal Court. The Budgetary Comparison Schedules and the Schedule of Expenditures of Federal Awards (supplementary information), as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Schedule of Capital Assets (other information) 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.

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**Other Matters (Continued)**

*Supplementary and Other Information (Continued)*

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.

The Schedule of Capital Assets has not been subjected to the auditing procedures applied in the audit of the basic financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2021, on our consideration of the Knox 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 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 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 Knox 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:

- 2020-001 The Knox County Fiscal Court Did Not Provide The Same Level Of Health Insurance Benefits To All County Employees
- 2020-002 The Knox County Fiscal Court Did Not Follow Proper Bid Laws And Regulations
- 2020-003 The Jail Commissary Does Not Have Adequate Segregation Of Duties Over Receipts And Disbursements
- 2020-004 The Knox County Fiscal Court Did Not Present All Debt Activity In The Financial Statement
- 2020-005 The Knox County Fiscal Court Failed To Implement Internal Controls To Ensure Costs Submitted For Reimbursement Were For Eligible Expenses Not Already Reimbursed By Other Entities
- 2020-006 The Knox County Fiscal Court Failed To Implement Internal Controls To Ensure Costs Submitted For Reimbursement Occurred After February 29, 2020

Respectfully submitted,



Mike Harmon  
Auditor of Public Accounts

July 20, 2021

**KNOX COUNTY OFFICIALS**  
**For The Year Ended June 30, 2020**

**Fiscal Court Members:**

Michael N. Mitchell	County Judge/Executive
Roger C. Mills	Magistrate
Stacey Roark	Magistrate
Tony R. Golden	Magistrate
Jason Smith	Magistrate
Darryl W. Baker	Magistrate

**Other Elected Officials:**

Gilbert Holland	County Attorney
Mary Hammons	Jailer
Mike Corey	County Clerk
Greg Helton	Circuit Court Clerk
Mike Smith	Sheriff
Bob Blevins	Property Valuation Administrator
Mike Blevins	Coroner

**Appointed Personnel:**

John Tye	County Treasurer
Jack Ketchum	Assistant County Treasurer
Steve Warren	Deputy Judge Executive
Wayne Willis	Assistant Occupational License Fee Administrator and Enforcement Officer
Tammy Peters	Finance Officer



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

**For The Year Ended June 30, 2020**

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

**For The Year Ended June 30, 2020**

	<u>Budgeted Funds</u>		
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
<b>RECEIPTS</b>			
Taxes	\$ 1,596,550	\$	\$
Excess Fees	301,110		
Licenses and Permits	136,956		
Intergovernmental	283,353	2,296,075	756,346
Charges for Services	10,551		81,867
Miscellaneous	451,807	309,595	52,080
Interest	20,175	6,669	2,818
Total Receipts	<u>2,800,502</u>	<u>2,612,339</u>	<u>893,111</u>
<b>DISBURSEMENTS</b>			
General Government	1,499,083		
Protection to Persons and Property	26,283		2,307,658
General Health and Sanitation	211,138		
Social Services	31,615		
Recreation and Culture	4,757		
Roads		2,593,835	
Debt Service			485
Capital Projects			457,131
Administration	921,191	465,128	500,152
Total Disbursements	<u>2,694,067</u>	<u>3,058,963</u>	<u>3,265,426</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>106,435</u>	<u>(446,624)</u>	<u>(2,372,315)</u>
<b>Other Adjustments to Cash (Uses)</b>			
Transfers From Other Funds	3,101,660	790,000	3,369,514
Transfers To Other Funds	(3,284,840)	(265,965)	(919,687)
Financing Obligation Proceeds			140,310
Total Other Adjustments to Cash (Uses)	<u>(183,180)</u>	<u>524,035</u>	<u>2,590,137</u>
Net Change in Fund Balance	(76,745)	77,411	217,822
Fund Balance - Beginning (Restated)	<u>1,678,498</u>	<u>308,315</u>	<u>82,084</u>
Fund Balance - Ending	<u>\$ 1,601,753</u>	<u>\$ 385,726</u>	<u>\$ 299,906</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 1,640,424	\$ 424,507	\$ 331,152
Less: Outstanding Checks	<u>(38,671)</u>	<u>(38,781)</u>	<u>(31,246)</u>
Fund Balance - Ending	<u>\$ 1,601,753</u>	<u>\$ 385,726</u>	<u>\$ 299,906</u>

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

**KNOX COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**  
**For The Year Ended June 30, 2020**  
**(Continued)**

Budgeted Funds						
Local Government Economic Assistance Fund	911 Fund	Occupational License Fund	South Kentucky Regional Business Park Fund	Hospital Sinking Fund	Health Insurance Escrow Fund	LEPC Fund
\$	\$ 588,588	\$ 2,897,797	\$ 266,391	\$	\$	\$
466,940	168,750					
177,980	223,155			578,000	105	
10,509	2,762	1,323	750		25	
655,429	983,255	2,899,120	267,141	578,000	130	
			273,400			
	630,605					1,349
		735,373				
166,983				640,118		
	208,764				5,964	
166,983	839,369	735,373	273,400	640,118	5,964	1,349
488,446	143,886	2,163,747	(6,259)	(62,118)	(5,834)	(1,349)
	90,000			62,118	4,000	
(740,000)		(2,158,558)			(1,478)	(617)
(740,000)	90,000	(2,158,558)		62,118	2,522	(617)
(251,554)	233,886	5,189	(6,259)		(3,312)	(1,966)
916,544	65,341	27,364	209,952	210	3,312	1,966
\$ 664,990	\$ 299,227	\$ 32,553	\$ 203,693	\$ 210	\$ 0	\$ 0
\$ 664,990	\$ 310,915	\$ 33,883	\$ 203,693	\$ 210	\$	\$
	(11,688)	(1,330)				
\$ 664,990	\$ 299,227	\$ 32,553	\$ 203,693	\$ 210	\$ 0	\$ 0

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

**KNOX COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**  
**For The Year Ended June 30, 2020**  
**(Continued)**

	<u>Unbudgeted Funds</u>			<u>Total Funds</u>
	<u>Public Properties Corporation Fund</u>	<u>Jail Construction Fund</u>	<u>Jail Commissary Fund</u>	
<b>RECEIPTS</b>				
Taxes	\$	\$	\$	\$ 5,349,326
Excess Fees				301,110
Licenses and Permits				136,956
Intergovernmental	174,923			4,146,387
Charges for Services				92,418
Miscellaneous			305,502	2,098,224
Interest	159	36,479	859	82,528
Total Receipts	<u>175,082</u>	<u>36,479</u>	<u>306,361</u>	<u>12,206,949</u>
<b>DISBURSEMENTS</b>				
General Government				1,772,483
Protection to Persons and Property				2,965,895
General Health and Sanitation				211,138
Social Services				31,615
Recreation and Culture			282,587	1,022,717
Roads				2,593,835
Debt Service	174,923	937,506	53,924	1,806,956
Capital Projects		3,861,379		4,485,493
Administration				2,101,199
Total Disbursements	<u>174,923</u>	<u>4,798,885</u>	<u>336,511</u>	<u>16,991,331</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>159</u>	<u>(4,762,406)</u>	<u>(30,150)</u>	<u>(4,784,382)</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds		919,687		8,336,979
Transfers To Other Funds		(965,834)		(8,336,979)
Financing Obligation Proceeds				140,310
Total Other Adjustments to Cash (Uses)		<u>(46,147)</u>		<u>140,310</u>
Net Change in Fund Balance	159	(4,808,553)	(30,150)	(4,644,072)
Fund Balance - Beginning (Restated)	6,878	4,809,038	51,785	8,161,287
Fund Balance - Ending	<u>\$ 7,037</u>	<u>\$ 485</u>	<u>\$ 21,635</u>	<u>\$ 3,517,215</u>
<b>Composition of Fund Balance</b>				
Bank Balance	\$ 7,037	\$ 485	\$ 42,056	\$ 3,659,352
Less: Outstanding Checks			(20,421)	(142,137)
Fund Balance - Ending	<u>\$ 7,037</u>	<u>\$ 485</u>	<u>\$ 21,635</u>	<u>\$ 3,517,215</u>

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

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENT**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES .....	10
NOTE 2.	DEPOSITS .....	13
NOTE 3.	TRANSFERS.....	14
NOTE 4.	CUSTODIAL FUNDS .....	14
NOTE 5.	LONG-TERM DEBT .....	14
NOTE 6.	EMPLOYEE RETIREMENT SYSTEM .....	18
NOTE 7.	DEFERRED COMPENSATION.....	20
NOTE 8.	INSURANCE.....	21
NOTE 9.	RELATED PARTY TRANSACTIONS.....	21
NOTE 10.	PRIOR PERIOD ADJUSTMENTS .....	21

**KNOX COUNTY  
NOTES TO FINANCIAL STATEMENT**

**June 30, 2020**

**Note 1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The financial statement of Knox County includes all budgeted and unbudgeted funds under the control of the Knox 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 as the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

**B. Basis of Accounting**

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

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

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

**C. Basis of Presentation**

**Budgeted Funds**

The fiscal court reports the following budgeted funds:

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

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

**KNOX COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2020**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Basis of Presentation (Continued)**

**Budgeted Funds (Continued)**

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

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

911 Fund - The primary purpose of this fund is to account for the dispatch expenses of the county. The primary source of receipts for this fund is the 911 telephone surcharge.

Occupational License Fund - The primary purpose of this fund is to account for occupational license fee monies collected by the county on behalf of the county of city. The primary source of receipts for this fund is local business owners.

South Kentucky Regional Business Park Fund - The primary purpose of this fund is to account for activities related to the funding of the business park. The primary source of receipts for this fund is local business owners.

Hospital Sinking Fund - The primary source of this fund is to account for activities related to the debt activity on the general obligation refunding bonds, series 2005, non-refunded portion. The primary source of receipts for this fund is transfers from the general fund or payments from the Knox County Hospital.

Health Insurance Escrow Fund - The primary purpose of this fund is to account for activities related to the health reimbursement account. The primary source of receipts for this fund is transfers from the general fund.

Local Emergency Planning Committee (LEPC) Fund - The primary purpose of this fund is to account for emergency planning expenses of the county. The primary source of receipts for this fund is state grants.

**Unbudgeted Funds**

The fiscal court reports the following unbudgeted funds:

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

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

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.

**KNOX COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2020**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Budgetary Information**

Annual budgets are adopted 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 and according to the laws of Kentucky as required by the state local finance officer.

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

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the state local finance officer. Disbursements may not exceed budgeted appropriations at the activity level.

The state local finance officer does not require the jail commissary fund to be budgeted because the fiscal court does not approve the expenses of this fund.

The state local finance officer does not require the public properties corporation fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

**E. Knox County Elected Officials**

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

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

**F. Deposits and Investments**

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



**KNOX COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2020**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**F. Deposits and Investments (Continued)**

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

**G. Long-term Obligations**

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

**H. Related Obligations**

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 Knox County Fiscal Court:

East Knox County Water District  
 Artemus Fire District

**Note 2. Deposits**

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

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of the DLG *County Budget Preparation and State Local Finance Officer Policy Manual*. As of June 30, 2020, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**KNOX COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2020**  
**(Continued)**

**Note 3. Transfers**

The table below shows the interfund operating transfers for fiscal year 2020.

	General Fund	Road Fund	Jail Fund	Occupational License Fund	LGEA Fund	LEPC Fund	Health Insurance Escrow Fund	Jail Construction Fund	Total Transfers In
General Fund	\$	\$	\$	\$ 2,158,558	\$	\$ 617	\$ 1,478	\$ 941,007	\$ 3,101,660
Road Fund	350,000				440,000				790,000
Jail Fund	2,778,722	265,965			300,000			24,827	3,369,514
Health Insurance									
Escrow Fund	4,000								4,000
911 Fund	90,000								90,000
Hospital Sinking Fund	62,118								62,118
Jail Construction Fund			919,687						919,687
Total Transfers Out	<u>\$ 3,284,840</u>	<u>\$ 265,965</u>	<u>\$ 919,687</u>	<u>\$ 2,158,558</u>	<u>\$ 740,000</u>	<u>\$ 617</u>	<u>\$ 1,478</u>	<u>\$ 965,834</u>	<u>\$ 8,336,979</u>

Reason for transfers:

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

**Note 4. Custodial Funds**

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

The fiscal court has the following custodial fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2020 was \$85,617.

**Note 5. Long-term Debt**

**A. Direct Borrowings and Direct Placements**

**1. Detention Center Body Scanner**

On September 9, 2019, the Knox County Fiscal Court entered into a promissory note in the amount of \$140,310 to reimburse the county for the purchase of a body scanner for the Knox County Detention Center. The purchase price was \$165,251; however, \$140,310 was borrowed for the purchase. On January 1, 2020, the county received a federal COVID-19 Safety Enhancement Project for Knox County Detention Center (KCDC) in the amount of \$19,980 with an \$8,400 matching requirement. The Knox County Detention Center agreed to pay the payments out of the jail commissary fund and is required to pay \$1,922 per month for 84 months at an interest rate of 4% with final payment being due on September 9, 2026.

**KNOX COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2020**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**A. Direct Borrowings and Direct Placements (Continued)**

**1. Detention Center Body Scanner (Continued)**

On September 9, 2019, a commercial security agreement was executed between the Knox County Fiscal Court and the lender on collateral described as: inventory, chattel paper, accounts, equipment, general intangibles, fixtures, standing timber and mineral, oil, gas. Total outstanding principal balance as of June 30, 2020, was \$90,314. The county paid additional principal payments during the year reducing the amount of future payments. The loan was subsequently paid off on November 6, 2020; however, the future principal and interest payment requirements as of June 30, 2020, are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 19,808	\$ 3,252
2022	20,615	2,445
2023	21,454	1,605
2024	22,328	731
2025	6,109	43
Totals	<u>\$ 90,314</u>	<u>\$ 8,076</u>

**B. Other Debt**

**1. General Obligation Refunding Bonds, Series 2005, Non-Refunded Portion**

On December 1, 2005, the Knox County Fiscal Court issued \$4,250,000 of General Obligation Refunding Bonds for the Knox County Hospital. On December 28, 2006, the fiscal court issued General Obligation Refunding Bonds, Series 2006, which defeased the remained of the outstanding Series 2005 bonds at that date with the exception of \$985,000. The non-refunded portion of the series 2005 bonds has interest rates from 2.8% through 4.5%. The final maturity of the series 2005 bonds is December 1, 2035. The bonds outstanding at June 30, 2020 totaled \$710,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 30,000	\$ 30,865
2022	35,000	29,484
2023	35,000	27,979
2024	40,000	26,347
2025	35,000	24,712
2026-2030	205,000	98,155
2031-2035	270,000	44,775
2036	60,000	1,350
Totals	<u>\$ 710,000</u>	<u>\$ 283,667</u>

**KNOX COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2020**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**B. Other Debt (Continued)**

**2. First Mortgage Revenue Refunding Bonds, Series 2010**

On February 17, 2010, the Knox County Public Properties Corporation issued \$1,635,000 of First Mortgage Refunding Revenue Bonds to pay off the 1997 series bonds which were originally issued for courthouse improvements and construction of the courthouse annex. The 2010 series bonds were issued at various interest rates from 1% through 3.625%. The final maturity date of the 2010 series bonds is September 1, 2021. Total bonds outstanding as of June 30, 2020 were \$340,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 170,000	\$ 9,223
2022	170,000	3,081
Totals	<u>\$ 340,000</u>	<u>\$ 12,304</u>

**3. Hospital - General Obligation Public Project Bond, Series 2017**

On November 30, 2017, the Knox County Fiscal Court issued General Obligation Public Project Bonds, Series 2017, in the amount of \$5,000,000 at an interest rate of 2.60% with interest to be paid semi-annually on June 20 and December 20 and principal payments made every December 20, in order to refinance the General Obligation Bond Anticipation Refunding Note Taxable, Series 2016. The bonds have a maturity date of February 1, 2028. Total bonds outstanding as of June 30, 2020, were \$4,110,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 465,000	\$ 115,437
2022	475,000	102,525
2023	490,000	89,275
2024	505,000	75,613
2025	520,000	61,278
2026-2029	1,655,000	87,341
Totals	<u>\$ 4,110,000</u>	<u>\$ 531,469</u>

**4. General Obligation Bonds, Detention Facility Project, Series 2017**

On November 16, 2017, the Knox County Fiscal Court issued General Obligation Bonds, Detention Facility Project, Series 2017, in the amount of \$16,800,000 at various interest rates from 3.5% to 5.0% with interest to be paid semi-annually on April 1 and October 1 and principal payments to be made every October 1, in order to finance the construction of the new jail. The bonds have a maturity date of October 1, 2047. Total bonds outstanding as of June 30, 2020 were \$16,575,000. Future principal and interest requirements are:

**KNOX COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2020**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**B. Other Debt (Continued)**

**4. General Obligation Bonds, Detention Facility Project, Series 2017 (Continued)**

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 290,000	\$ 700,194
2022	305,000	685,319
2023	325,000	669,569
2024	340,000	652,944
2025	355,000	635,569
2026-2030	2,080,000	2,883,969
2031-2035	2,670,000	2,293,468
2036-2040	3,355,000	1,612,631
2041-2045	4,035,000	925,843
2046-2048	2,820,000	157,572
Totals	<u>\$ 16,575,000</u>	<u>\$ 11,217,078</u>

**C. Aggregate Debt Schedule**

The amounts of required principal and interest payments on long-term obligations at June 30, 2020, were as follows:

Fiscal Year Ended June 30	Other Debt		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2021	\$ 955,000	\$ 855,719	\$ 19,808	\$ 3,252
2022	985,000	820,409	20,615	2,445
2023	850,000	786,823	21,454	1,605
2024	885,000	754,904	22,328	731
2025	910,000	721,559	6,109	43
2026-2030	3,940,000	3,069,465		
2031-2035	2,940,000	2,338,243		
2036-2040	3,415,000	1,613,981		
2041-2045	4,035,000	925,843		
2046-2048	2,820,000	157,572		
Totals	<u>\$ 21,735,000</u>	<u>\$ 12,044,518</u>	<u>\$ 90,314</u>	<u>\$ 8,076</u>

**KNOX COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2020**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**D. Changes In Long-term Debt**

Long-term Debt activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowing and Placements	\$	\$ 140,310	\$ 49,996	\$ 90,314	\$ 19,808
General Obligation Bonds	22,100,000		705,000	21,395,000	785,000
Revenue Bonds	500,000		160,000	340,000	170,000
<b>Total Long-term Debt</b>	<b>\$ 22,600,000</b>	<b>\$ 140,310</b>	<b>\$ 914,996</b>	<b>\$ 21,825,314</b>	<b>\$ 974,808</b>

**Note 6. Employee Retirement System**

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). 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.

The county's contribution for FY 2018 was \$385,121, FY 2019 was \$442,130, and FY 2020 was \$617,806.

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 KRS insurance fund.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own accounts. Nonhazardous covered employees contribute 5 percent of their annual creditable compensation. Nonhazardous members also contribute 1 percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the KRS 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 24.06 percent.

**KNOX COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2020**  
**(Continued)**

**Note 6. Employee Retirement System (Continued)**

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

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

Benefits are covered under KRS 161.714 with exception of COLA and retiree health benefits after July 2003.

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 161.714 with exception of COLA and retiree health benefits after July 2003. Tier 3 members are not covered by the same provisions.

C. Cost of Living Adjustments - Tier 1

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of KRS 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.

**KNOX COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2020**  
**(Continued)**

**Note 6. Employee Retirement System (Continued)**

Other Post-Employment Benefits (OPEB) (Continued)

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

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

E. Death Benefit

If a retired member is receiving a monthly benefit based on at least 48 months of service credit, KRS 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.

KRS Annual Financial Report and Proportionate Share Audit Report

KRS 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 Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

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

**Note 7. Deferred Compensation**

The Knox 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.



**KNOX COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2020**  
**(Continued)**

**Note 8. Insurance**

For the fiscal year ended June 30, 2020, the Knox 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 9. Related Party Transactions**

- A. A magistrate's family owes a garbage company that does business with the fiscal court. His father, uncle, and four cousins own the business, the magistrate has no ownership in the company and he is paid a salary. The magistrate is a new magistrate as of January 1, 2020. Total paid to the garbage for period July 1, 2019 through June 30, 2020 was \$31,401.
- B. The Knox County Fiscal Court paid the former deputy judge executive consulting fees of \$18,000 related to the building of the detention center. The former deputy judge executive is the uncle of the county treasurer. Because of the nature of the relationship between the vendor and the county treasurer, this is considered to be a related party transaction.

**Note 10. Prior Period Adjustments**

The beginning balance reported on the Statement of Receipts, Disbursements, and Changes in Fund Balances – Regulatory Basis for the general fund and jail fund have been restated due to prior year voided checks.

**General Fund:**

Ending Cash Balance Prior Year	\$ 1,668,193
Add: Prior Year Voided Checks	<u>10,305</u>
Ending Cash Balance Prior Year (Adjusted)	<u>\$ 1,678,498</u>

**Jail Fund:**

Ending Cash Balance Prior Year	\$ 79,246
Add: Prior Year Voided Checks	<u>2,838</u>
Ending Cash Balance Prior Year (Adjusted)	<u>\$ 82,084</u>

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**KNOX COUNTY  
BUDGETARY COMPARISON SCHEDULES  
Supplementary Information - Regulatory Basis**

**For The Year Ended June 30, 2020**

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**KNOX COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**

**For The Year Ended June 30, 2020**

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 1,597,900	\$ 1,597,900	\$ 1,596,550	\$ (1,350)
Excess Fees	240,000	240,000	301,110	61,110
Licenses and Permits	135,000	135,000	136,956	1,956
Intergovernmental	307,600	310,137	283,353	(26,784)
Charges for Services	10,500	10,500	10,551	51
Miscellaneous	69,000	460,939	451,807	(9,132)
Interest	10,000	15,011	20,175	5,164
Total Receipts	<u>2,370,000</u>	<u>2,769,487</u>	<u>2,800,502</u>	<u>31,015</u>
<b>DISBURSEMENTS</b>				
General Government	1,575,500	1,671,774	1,499,083	172,691
Protection to Persons and Property	58,500	59,747	26,283	33,464
General Health and Sanitation	238,500	268,501	211,138	57,363
Social Services	40,000	40,000	31,615	8,385
Recreation and Culture	5,000	5,000	4,757	243
Administration	1,404,425	1,148,378	921,191	227,187
Total Disbursements	<u>3,321,925</u>	<u>3,193,400</u>	<u>2,694,067</u>	<u>499,333</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(951,925)</u>	<u>(423,913)</u>	<u>106,435</u>	<u>530,348</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	2,048,500	2,048,500	3,101,660	1,053,160
Transfers To Other Funds	<u>(2,681,780)</u>	<u>(2,681,780)</u>	<u>(3,284,840)</u>	<u>(603,060)</u>
Total Other Adjustments to Cash (Uses)	<u>(633,280)</u>	<u>(633,280)</u>	<u>(183,180)</u>	<u>450,100</u>
Net Change in Fund Balance	(1,585,205)	(1,057,193)	(76,745)	980,448
Fund Balance - Beginning (Restated)	<u>1,585,205</u>	<u>1,668,193</u>	<u>1,678,498</u>	<u>10,305</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 611,000</u>	<u>\$ 1,601,753</u>	<u>\$ 990,753</u>

**KNOX COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2020**  
**(Continued)**

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 2,038,948	\$ 2,333,423	\$ 2,296,075	\$ (37,348)
Miscellaneous	276,000	276,000	309,595	33,595
Interest	5,000	5,000	6,669	1,669
Total Receipts	<u>2,319,948</u>	<u>2,614,423</u>	<u>2,612,339</u>	<u>(2,084)</u>
<b>DISBURSEMENTS</b>				
Roads	2,215,500	2,903,242	2,593,835	309,407
Administration	804,481	849,658	465,128	384,530
Total Disbursements	<u>3,019,981</u>	<u>3,752,900</u>	<u>3,058,963</u>	<u>693,937</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(700,033)</u>	<u>(1,138,477)</u>	<u>(446,624)</u>	<u>691,853</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	480,162	480,162	790,000	309,838
Transfers To Other Funds			(265,965)	(265,965)
Total Other Adjustments to Cash (Uses)	<u>480,162</u>	<u>480,162</u>	<u>524,035</u>	<u>43,873</u>
Net Change in Fund Balance	(219,871)	(658,315)	77,411	735,726
Fund Balance - Beginning	<u>219,871</u>	<u>308,315</u>	<u>308,315</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (350,000)</u>	<u>\$ 385,726</u>	<u>\$ 735,726</u>

**KNOX COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2020**  
**(Continued)**

	<b>JAIL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,203,000.00	\$ 1,203,000.00	\$ 756,346.00	\$ (446,654.00)
Charges for Services	83,000	83,000	81,867	(1,133)
Miscellaneous	142,000	142,000	52,080	(89,920)
Interest	2,000	2,000	2,818	818
Total Receipts	<u>1,430,000</u>	<u>1,430,000</u>	<u>893,111</u>	<u>(536,889)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	2,142,300	2,384,214	2,307,658	76,556
Debt Service	940,000	930,000	485	929,515
Capital Projects		470,000	457,131	12,869
Administration	747,000	615,086	500,152	114,934
Total Disbursements	<u>3,829,300</u>	<u>4,399,300</u>	<u>3,265,426</u>	<u>1,133,874</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,399,300)</u>	<u>(2,969,300)</u>	<u>(2,372,315)</u>	<u>596,985</u>
<b>Other Adjustments to Cash (Uses)</b>				
Financing Obligation Proceeds			140,310	140,310
Transfers From Other Funds	2,286,500	2,286,500	3,369,514	1,083,014
Transfers To Other Funds			(919,687)	(919,687)
Total Other Adjustments to Cash (Uses)	<u>2,286,500</u>	<u>2,286,500</u>	<u>2,590,137</u>	<u>303,637</u>
Net Change in Fund Balance	(112,800)	(682,800)	217,822	900,622
Fund Balance - Beginning (Restated)	<u>112,800</u>	<u>112,800</u>	<u>82,084</u>	<u>(30,716)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (570,000)</u>	<u>\$ 299,906</u>	<u>\$ 869,906</u>

**KNOX COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2020**  
**(Continued)**

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 310,000	\$ 441,870	\$ 466,940	\$ 25,070
Miscellaneous			177,980	177,980
Interest	5,000	8,409	10,509	2,100
Total Receipts	<u>315,000</u>	<u>450,279</u>	<u>655,429</u>	<u>205,150</u>
<b>DISBURSEMENTS</b>				
Road Facilities	100,000	100,000		100,000
Capital Projects	100,000	175,000	166,983	8,017
Administration	612,740	591,824		591,824
Total Disbursements	<u>812,740</u>	<u>866,824</u>	<u>166,983</u>	<u>699,841</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(497,740)</u>	<u>(416,545)</u>	<u>488,446</u>	<u>904,991</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds	<u>(100,000)</u>	<u>(100,000)</u>	<u>(740,000)</u>	<u>(640,000)</u>
Total Other Adjustments to Cash (Uses)	<u>(100,000)</u>	<u>(100,000)</u>	<u>(740,000)</u>	<u>(640,000)</u>
Net Change in Fund Balance	(597,740)	(516,545)	(251,554)	264,991
Fund Balance - Beginning	<u>597,740</u>	<u>916,545</u>	<u>916,544</u>	<u>(1)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 400,000</u>	<u>\$ 664,990</u>	<u>\$ 264,990</u>



**KNOX COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2020**  
**(Continued)**

	<b>911 FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Taxes	\$ 643,000	\$ 643,000	\$ 588,588	\$ (54,412)
Intergovernmental	150,000	150,000	168,750	18,750
Miscellaneous	500	223,155	223,155	
Interest	500	1,650	2,762	1,112
Total Receipts	<u>794,000</u>	<u>1,017,805</u>	<u>983,255</u>	<u>(34,550)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	454,500	710,198	630,605	79,593
Administration	360,500	433,948	208,764	225,184
Total Disbursements	<u>815,000</u>	<u>1,144,146</u>	<u>839,369</u>	<u>304,777</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(21,000)</u>	<u>(126,341)</u>	<u>143,886</u>	<u>270,227</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			90,000	90,000
Total Other Adjustments to Cash (Uses)			<u>90,000</u>	<u>90,000</u>
Net Change in Fund Balance	(21,000)	(126,341)	233,886	360,227
Fund Balance - Beginning	21,000	65,341	65,341	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (61,000)</u>	<u>\$ 299,227</u>	<u>\$ 360,227</u>

**KNOX COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2020**  
**(Continued)**

	<b>OCCUPATIONAL LICENSE FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 2,800,000	\$ 2,800,000	\$ 2,897,797	\$ 97,797
Interest	2,500	2,500	1,323	(1,177)
Total Receipts	<u>2,802,500</u>	<u>2,802,500</u>	<u>2,899,120</u>	<u>96,620</u>
<b>DISBURSEMENTS</b>				
Recreation and Culture	712,000	736,000	735,373	627
Total Disbursements	<u>712,000</u>	<u>736,000</u>	<u>735,373</u>	<u>627</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>2,090,500</u>	<u>2,066,500</u>	<u>2,163,747</u>	<u>97,247</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds	(2,095,500)	(2,095,500)	(2,158,558)	(63,058)
Total Other Adjustments to Cash (Uses)	<u>(2,095,500)</u>	<u>(2,095,500)</u>	<u>(2,158,558)</u>	<u>(63,058)</u>
Net Change in Fund Balance	(5,000)	(29,000)	5,189	34,189
Fund Balance - Beginning	<u>5,000</u>	<u>5,000</u>	<u>27,364</u>	<u>22,364</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (24,000)</u>	<u>\$ 32,553</u>	<u>\$ 56,553</u>

**KNOX COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2020**  
**(Continued)**

**SOUTH KENTUCKY REGIONAL BUSINESS PARK FUND**

	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>RECEIPTS</b>				
Taxes	\$ 265,000	\$ 265,000	\$ 266,391	\$ 1,391
Interest	2,000	2,000	750	(1,250)
Total Receipts	<u>267,000</u>	<u>267,000</u>	<u>267,141</u>	<u>141</u>
<b>DISBURSEMENTS</b>				
General Government	265,000	273,500	273,400	100
Administration	211,000	202,500		202,500
Total Disbursements	<u>476,000</u>	<u>476,000</u>	<u>273,400</u>	<u>202,600</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(209,000)</u>	<u>(209,000)</u>	<u>(6,259)</u>	<u>202,741</u>
<b>Other Adjustments to Cash (Uses)</b>				
Net Change in Fund Balance	(209,000)	(209,000)	(6,259)	202,741
Fund Balance - Beginning	<u>209,000</u>	<u>209,000</u>	<u>209,952</u>	<u>952</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 203,693</u>	<u>\$ 203,693</u>

**KNOX COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2020**  
**(Continued)**

<b>HOSPITAL SINKING FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Miscellaneous	\$	\$ 578,000	\$ 578,000	\$
Total Receipts		578,000	578,000	
<b>DISBURSEMENTS</b>				
Debt Service	62,304	640,304	640,118	186
Total Disbursements	62,304	640,304	640,118	186
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(62,304)	(62,304)	(62,118)	186
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	62,118	62,118	62,118	
Total Other Adjustments to Cash (Uses)	62,118	62,118	62,118	
Net Change in Fund Balance	(186)	(186)		186
Fund Balance - Beginning	186	186	210	24
Fund Balance - Ending	\$ 0	\$ 0	\$ 210	\$ 210

**KNOX COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2020**  
**(Continued)**

<b>HEALTH INSURANCE ESCROW FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Miscellaneous	\$	\$	\$ 105	\$ 105
Interest			25	25
Total Receipts			130	130
<b>DISBURSEMENTS</b>				
Administration		6,000	5,964	36
Total Disbursements		6,000	5,964	36
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(6,000)	(5,834)	166
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			4,000	4,000
Transfers To Other Funds			(1,478)	(1,478)
Total Other Adjustments to Cash (Uses)			2,522	2,522
Net Change in Fund Balance		(6,000)	(3,312)	2,688
Fund Balance - Beginning			3,312	3,312
Fund Balance - Ending	\$ 0	\$ (6,000)	\$ 0	\$ 6,000

**KNOX COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2020**  
**(Continued)**

**LOCAL EMERGENCY PLANNING COMMITTEE (LEPC) FUND**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>RECEIPTS</b>				
Taxes	\$	\$	\$	\$
Total Receipts				
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	1,000	1,966	1,349	617
Administration	966			
Total Disbursements	1,966	1,966	1,349	617
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,966)	(1,966)	(1,349)	617
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds			(617)	(617)
Total Other Adjustments to Cash (Uses)			(617)	(617)
Net Change in Fund Balance	(1,966)	(1,966)	(1,966)	
Fund Balance - Beginning	1,966	1,966	1,966	
Fund Balance - Ending	\$ 0	\$ 0	\$ 0	\$ 0

**KNOX COUNTY  
NOTES TO REGULATORY SUPPLEMENTARY  
INFORMATION - BUDGETARY COMPARISON SCHEDULES**

**June 30, 2020**

**Note 1. Budgetary Information**

Annual budgets are adopted 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 and according to the laws of Kentucky as required by the state local finance officer.

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.

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**KNOX COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For The Year Ended June 30, 2020**

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**KNOX COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For The Year Ended June 30, 2020**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity's Identifying Number	Provided to Subrecipient	Total Federal Expenditures
<b><u>U. S. Department of Treasury</u></b>				
<i>Passed-Through Kentucky Department of Local Government</i>				
CARES - Coronavirus Relief Fund for States (Note 4)	21.019	C187	\$	\$ 757,271
CARES - Coronavirus Relief Fund for States (Note 4)	21.019	C2-091		<u>78,237</u>
<b>Total U.S. Department of Treasury</b>				<u><u>835,508</u></u>
<b><u>U. S. Department of Homeland Security</u></b>				
<i>Passed-Through Kentucky Department of Military Affairs</i>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-DR-4358-KY		218,800
Emergency Management Performance Grants	97.042	None noted		<u>6,393</u>
<b>Total U.S. Department of Homeland Security</b>				<u><u>225,193</u></u>
<b><u>U. S. Appalachian Regional Commission</u></b>				
<i>Passed-Through Center For Rural Development</i>				
Appalachian Area Development	23.002	DEV-ARC 11		<u>10,000</u>
<b>Total U. S. Appalachian Regional Commission</b>				<u><u>10,000</u></u>
Total Expenditures of Federal Awards			\$ 0	<u><u>\$ 1,070,701</u></u>

The accompanying notes are an integral part of this schedule

**KNOX COUNTY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**June 30, 2020**

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Knox County, Kentucky under programs of the federal government for the year ended June 30, 2020. 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 Knox County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Knox 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**

Knox 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. Pertaining to Novel Coronavirus Pandemic Relief**

In order to identify CARES funds on the Schedule of Expenditures of Federal Awards, the prefix will precede the Program Title on the Grantor Schedule.

CARES – Coronavirus Aid, Relief, and Economic Security Act

**KNOX COUNTY  
SCHEDULE OF CAPITAL ASSETS  
Other Information - Regulatory Basis**

**For The Year Ended June 30, 2020**

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**KNOX COUNTY**  
**SCHEDULE OF CAPITAL ASSETS**  
**Other Information - Regulatory Basis**

**For The Year Ended June 30, 2020**

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 1,959,145	\$ 70,000	\$	\$ 2,029,145
Construction in Progress	12,467,182		12,467,182	
Buildings	8,456,800	16,495,000		24,951,800
Furniture and Equipment	2,211,781	656,642		2,868,423
Vehicles	1,267,999	357,794	289,844	1,335,949
Infrastructure	16,875,181	858,971		17,734,152
Total Capital Assets	<u>\$ 43,238,088</u>	<u>\$ 18,438,407</u>	<u>\$ 12,757,026</u>	<u>\$ 48,919,469</u>

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

**June 30, 2020**

**Note 1. Capital Assets**

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

	<u>Capitalization Threshold</u>	<u>Useful Life (Years)</u>
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Equipment	\$ 2,500	3-10
Vehicles	\$ 2,500	3-25
Infrastructure	\$ 20,000	10-50



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

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**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Mike Mitchell, Knox County Judge/Executive  
Members of the Knox County Fiscal Court

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

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 Knox County Fiscal Court for the fiscal year ended June 30, 2020, and the related notes to the financial statement which collectively comprise the Knox County Fiscal Court's financial statement and have issued our report thereon dated July 20, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the Knox 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 Knox County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Knox 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 were not 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 2020-002, 2020-003, and 2020-004 to be material weaknesses.



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

### **Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the Knox County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2020-001, 2020-002, and 2020-004.

### **Views of Responsible Officials and Planned Corrective Action**

Knox 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,



Mike Harmon  
Auditor of Public Accounts

July 20, 2021

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

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**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Mike Mitchell, Knox County Judge/Executive  
Members of the Knox County Fiscal Court

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

Independent Auditor's Report

**Report on Compliance for Each Major Federal Program**

We have audited the Knox County Fiscal Court's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Knox County Fiscal Court's major federal programs for the year ended June 30, 2020. The Knox 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.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Knox County Fiscal Court's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Knox County Fiscal Court's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our adverse opinion on compliance for major federal programs. However, our audit does not provide a legal determination on the Knox County Fiscal Court's compliance.



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

**Basis for Adverse Opinion on CFDA 21.019 CARES - Coronavirus Relief Fund for States**

As described in the accompanying Schedule of Findings and Questioned Costs, Knox County Fiscal Court did not comply with requirements regarding CFDA 21.019 CARES - Coronavirus Relief Fund for States as described in finding numbers 2020-005 for activities allowed or unallowed and allowable costs and 2020-006 for activities allowed or unallowed, allowable costs, and period of performance of federal funds. Compliance with such requirements is necessary, in our opinion, for Knox County Fiscal Court to comply with the requirements applicable to that program.

**Adverse Opinion on CFDA 21.019 CARES - Coronavirus Relief Fund for States**

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph, Knox County Fiscal Court did not comply in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 21.019 CARES - Coronavirus Relief Fund for States for the year ended June 30, 2020.

**Other Matters**

The results of our auditing procedures disclosed no other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance.

Knox County Fiscal Court's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Knox County Fiscal Court's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control over Compliance**

Management of Knox County Fiscal Court is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Knox County Fiscal Court's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Knox County Fiscal Court's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.



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

**Report on Internal Control over Compliance (Continued)**

*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 deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2020-005 and 2020-006 to be material weaknesses.

Knox County Fiscal Court's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Knox County Fiscal Court's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 results 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 horizontal line extending to the right.

Mike Harmon  
Auditor of Public Accounts

July 20, 2021

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

**For The Year Ended June 30, 2020**

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

**For The Year Ended June 30, 2020**

**Section I: Summary of Auditor's Results**

***Financial Statement***

Type of report auditor issued: 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: Adverse		
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>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
21.019	CARES - Coronavirus Relief Fund for States

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

**Section II: Financial Statement Findings**

2020-001 The Knox County Fiscal Court Did Not Provide The Same Level Of Health Insurance Benefits To All County Employees

This is a repeat finding and was included in the prior year audit report as finding 2019-001. The Knox County Fiscal Court employees are not receiving the same level of health insurance benefits. Elected officials are receiving family health insurance coverage paid for by the county, while non-elected employees only receive single health insurance coverage paid for by the county. The discrepancy in monthly expense between family health insurance coverage and single health insurance coverage is \$1,481 per month, per employee.

The Knox County Fiscal Court believes they can separate elected officials and county employees. According to the County Administrative Code, "The County pays the premium for all individual health insurance policies offered by the county; except, however, the county will pay the premium for family health insurance plans for all elected county officials."

**KNOX COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2020**  
**(Continued)**

**Section II: Financial Statement Findings (Continued)**

2020-001 The Knox County Fiscal Court Did Not Provide The Same Level Of Health Insurance Benefits To All County Employees (Continued)

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Due to differing levels of health insurance coverage being provided to county employees' discrimination exists; which can affect employee morale and the overall control environment. Additionally, county funds are being spent for the personal benefit of select employees that could have been expended on other items to benefit the entire county.

OAG 94-15 states, "The basic statute providing for governmentally funded health coverage (KRS 79.080) for public employees does not provide for one level of coverage for officers, and another level for employees. Accordingly, we believe such differing coverage would not be lawful as not authorized by statute."

We recommend the Knox County Fiscal Court discuss the discrimination of health insurance coverage between elected and non-elected county employees with the Knox County Attorney, and follow the advice as expressed in OAG 94-15.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: We disagree. Elected officials are not classified as employees.*

Auditor's Reply: As noted OAG 94-15 states, "The basic statute providing for governmentally funded health coverage (KRS 79.080) for public employees does not provide for one level of coverage for officers, and another level for employees." Accordingly, we believe such differing coverage would not be lawful as not authorized by statute."

2020-002 The Knox County Fiscal Court Did Not Follow Proper Bid Laws And Regulations

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The Knox County Fiscal Court did not follow proper bid laws and regulations regarding the purchase of fuel, road equipment, and computer equipment during fiscal year 2020. The fiscal court made two purchases that were required to have been bid or purchased from the state authorized vendor since they exceed the \$20,000 limit however the items were not bid or purchased from the state vendor. The first purchase was for fuel with total expenses for the fiscal year exceeding \$97,000. The second purchase was for two dump trucks with expenses of \$289,844. The third purchase for computer equipment was bid, however the invoice received for the computer equipment that was bid did not agree to the bid proposal price nor was the item delivered actually the one proposed on the bid proposal.

The officials were unaware of the need to bid for fuel since purchases are made for individual vehicles and at various vendors. In addition, the county had made purchases from the same vendor for the dump trucks in prior year so the officials were unaware of the need to bid this item.

By limiting competition or not receiving bids at all, the fiscal court may not get the benefit of the best price available. Competitive bidding ensures the fiscal court procures equipment and services at the best price available.

The Knox County Administrative Code, section 4.6 states, "Small Purchase Procedures: A. With prior approval in accordance with the purchase order system (Section 4.7) authorized persons may purchase for their respective departments or office any supplies, services, ect at a cost of twenty thousand dollars (\$20,000) or less."

**KNOX COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2020  
(Continued)**

**Section II: Financial Statement Findings (Continued)**

2020-002 The Knox County Fiscal Court Did Not Follow Proper Bid Laws and Regulations (Continued)

We recommend the fiscal court ensure any purchases over \$20,000 or more are bid in compliance with the county administrative code. In addition, we recommend any invoice for items bid be compared to the actual proposal to ensure items delivered were the one actually bid and to ensure accurate billing.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: We agree. These issues have already been corrected.*

2020-003 The Jail Commissary Does Not Have Adequate Segregation Of Duties Over Receipts And Disbursements

This is a repeat finding and was included in the prior year audit report as finding 2019-002. The jail commissary does not have segregation of duties over receipts and disbursements. The bookkeeper prepares deposits and posts these deposits to the receipts ledger. The bookkeeper also prepares and signs checks, and posts these disbursements to the disbursements ledger. By allowing the same employee to perform all functions relating to receipts and disbursements, the risk increases that undetected errors or fraud could occur.

The jailer indicated that the jail commissary has a small staff size available to segregate duties in the financial processes. Without proper segregation of duties, inaccurate financial reporting or fraud can occur. Segregation of duties, or the implementation of compensating controls, is essential for providing protection to employees in the normal course of business.

We recommend the Knox County Jailer segregate duties over receipts, disbursements, and the bank reconciliation process. If segregation of duties is not feasible due to lack of staff, we recommend the jailer implementing and documenting compensating controls to offset this control deficiency.

Views of Responsible Official and Planned Corrective Action:

*Jailer's Response: We will be looking at different ways to segregate duties. To correct we will assign an extra person to collect receipts and disbursements.*

2020-004 The Knox County Fiscal Court Did Not Present All Debt Activity In The Financial Statement

The jail construction fund was not included in the Knox County Fiscal Court's Fourth Quarter Financial Report and also was not included in the fiscal court's budget that was approved by the Department for Local Government (DLG). The financial activity of the account consisted of \$36,479 in revenues and \$4,798,885 in expenditures, which is material to the fiscal court's financial statements.

The Knox County Fiscal Court had financing proceeds that went directly from the financial institution to the vendor and were not reported on the financial statement. Since these transactions did not run through the fiscal court's bank accounts, they were not included in the fiscal court's budget process or reflected on the fiscal court's financial report. The fiscal court was not aware the proceeds needed to be reported.

Failure to include the jail construction fund in the financial report caused the financial statement receipts to be understated by \$36,479 and expenditures to be materially understated by \$4,798,885. In addition, it resulted in a material amount of expenditures being paid by the county without budgeted appropriations.

**KNOX COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2020**  
**(Continued)**

**Section II: Financial Statement Findings (Continued)**

2020-004 The Knox County Fiscal Court Did Not Present All Debt Activity In The Financial Statement  
 (Continued)

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

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

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: We agree. We will correct this issue in further projects.*

**Section III: Federal Award Findings And Questioned Costs**

2020-005 The Knox County Fiscal Court Failed To Implement Internal Controls To Ensure Costs Submitted For Reimbursement Were For Eligible Expenses Not Already Reimbursed By Other Entities

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*Federal Program: CFDA 21.019 – CARES - Coronavirus Relief Fund For States*

*Award Number and Year: C187 2020*

*Name of Federal Agency: U.S. Department of Treasury*

*Pass-Through Agency: Commonwealth of Kentucky, Department for Local Government – Office of Grants*

*Compliance Requirements: Activities Allowed or Unallowed; Allowable Costs*

*Type of Finding: Material Weakness; Material Noncompliance of Major Program*

*Amount of Questioned Costs: \$55,286*

*Opinion: Adverse*

The Coronavirus Relief Fund (CRF) was established under section 601 of the Social Security Act to cover costs that are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19). The \$150 billion fund is to be used to make payments for specified uses to states, tribal governments, and certain local governments for the program period March 1, 2020 through December 31, 2021. The Compliance Supplement 2020 addendum for U.S. Department of the Treasury for CRF for States, Tribal Governments, and Certain Eligible Local Governments states "recipients may not use payments from the Fund to cover expenditures for which they will receive reimbursement from other sources." During fiscal year 2020, the Knox County Fiscal Court received reimbursements from the CRF for the payroll expenditures that had already been reimbursed by other state and federal grants or other governmental entities.



**KNOX COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2020**  
**(Continued)**

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

2020-005 The Knox County Fiscal Court Failed To Implement Internal Controls To Ensure Costs Submitted For Reimbursement Were For Eligible Expenses Not Already Reimbursed By Other Entities  
 (Continued)

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The Knox County Fiscal Court failed to establish effective internal controls over compliance requirements to ensure expenditures submitted for reimbursement from the CRF were not already reimbursed from other sources. Our total sample included 88 disbursements from a universe of 1,176 transactions included in the reimbursement request. The audit sample was selected using a non-statistical method. We then reviewed reimbursements received from other state and federal grants or other governmental entities for payroll expenditures that had also been reimbursed by CRF. The issue noted appears to be isolated to the CRF grant reimbursements.

The deputy county judge/executive stated he was unaware that some of the payroll expenditures submitted by the sheriff's office for reimbursement under CRF reimbursement contract had already been reimbursed to the sheriff's office by other entities.

The fiscal court received reimbursement for payroll expenditures that had already been reimbursed by other entities. The fiscal court may be required to repay the questioned costs back to the granting agency.

2 CFR § 200.303 requires a non-federal entity to “[e]stablish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.” In addition, 2 CFR § 200.53 states:

(a) *Improper payment* means any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and

(b) *Improper payment* includes any payment to an ineligible party, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), any payment that does not account for credit for applicable discounts, and any payment where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper.

Total known questioned costs are \$55,286. Questioned costs were computed by comparing reimbursements received from other state and federal grants or other governmental entities for payroll expenditures to payroll expenditures submitted for reimbursement to the Coronavirus Relief Fund (CRF). During testing, we found the following expenditures included that had already been reimbursed:

- \$3,337 gross wages were reimbursed for court security officers waiting on the court by the Kentucky Finance and Administration Cabinet, County Fee Systems.
- \$21,463 gross wages were reimbursed for law enforcement officers serving as school resource officers by the Knox County Board of Education.
- \$8,640 gross wages, \$2,079 employer's share retirement, and \$1,868 employer's share health insurance were reimbursed for one law enforcement officer who serves as the UNITE intelligence analyst from UNITE grant from the Unlawful Narcotics Investigation, Treatment, and Education, Inc.
- \$6,215 gross wages were reimbursed for overtime for law enforcement officers from High Intensity Drug Trafficking Area (HIDTA) grant from the United State Office of National Drug Control Policy (ONDCP)
- \$10,000 gross wages and \$1,684 employer's share retirement were reimbursed from Kentucky Law Enforcement Foundation Program Fund (KLEFPF).

**KNOX COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2020**  
**(Continued)**

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

2020-005 The Knox County Fiscal Court Failed To Implement Internal Controls To Ensure Costs Submitted For Reimbursement Were For Eligible Expenses Not Already Reimbursed By Other Entities  
 (Continued)

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Not a repeat finding.

We recommend the fiscal court strengthen internal controls over federal awards to ensure disbursements have not been reimbursed by other entities and are eligible expenditures. We also recommend that the fiscal court contact the Department for Local Government to determine if questioned costs should be repaid or if they can resubmit request with eligible expenditures.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: We agree. This has already been corrected with the Department for Local Government.*

2020-006 The Knox County Fiscal Court Failed To Implement Internal Controls To Ensure Costs Submitted For Reimbursement Occurred After February 29, 2020

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*Federal Program: CFDA 21.019 – CARES - Coronavirus Relief Fund For States*

*Award Number and Year: C187 2020 and C2-091 2020*

*Name of Federal Agency: U.S. Department of Treasury*

*Pass-Through Agency: Commonwealth of Kentucky, Department for Local Government – Office of Grants*

*Compliance Requirements: Activities Allowed or Unallowed; Allowable Costs; Period of Performance*

*Type of Finding: Material Weakness; Material Noncompliance of Major Program*

*Amount of Questioned Costs: \$16,866*

*Opinion: Adverse*

The Coronavirus Relief Fund (CRF) was established under section 601 of the Social Security Act to cover costs that are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19). The \$150 billion fund is to be used to make payments for specified uses to states, tribal governments, and certain local governments for the program period March 1, 2020 through December 31, 2021. During fiscal year 2020, the Knox County Fiscal Court received reimbursements from the Coronavirus Relief Fund (CRF) for the expenditures incurred before March 1, 2020.

The Knox County Fiscal Court failed to establish effective internal controls over compliance requirements to ensure expenditures submitted for reimbursement from the CRF were not for work performed prior to March 1, 2020. Our total sample included 88 disbursements from a universe of 1,176 transactions included in the reimbursement request. The audit sample was selected using a non-statistical method. The issue noted appears to be isolated to the CRF grant reimbursements.

The deputy county judge/executive stated he was unaware that some of the payroll expenditures submitted for reimbursement under CRF reimbursement contract were for work performed before March 1, 2020. The fiscal court, sheriff's office, and ambulance service submitted payroll summaries for qualifying employees for March 2020. No one remembered that payroll for March 2020 would include payments for the work performed at the end of February 2020.

**KNOX COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2020**  
**(Continued)**

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

2020-006 The Knox County Fiscal Court Failed To Implement Internal Controls To Ensure Costs Submitted For Reimbursement Occurred After February 29, 2020 (Continued)

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The fiscal court received reimbursement for disbursements that occurred prior to March 1, 2020. The fiscal court may be required to repay the questioned costs back to the granting agency.

2 CFR § 200.30 requires a non-federal entity to “[e]stablish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.” In addition, 2 CFR § 200.53 states:

- (a) *Improper payment* means any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and
- (b) *Improper payment* includes any payment to an ineligible party, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), any payment that does not account for credit for applicable discounts, and any payment where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper.

42 U.S.C. 601(d)(3)) states that local government shall use the payments from the Coronavirus Relief Fund to cover costs that “were incurred during the period that begins March 1, 2020, and ends on December 31, 2020.”

Total known questioned costs are \$16,866; however, the first pay period included in the reimbursement was for pay period February 23, 2020 through March 7, 2020 which included work performed February 23, 2020 through February 29, 2020. As noted below, we only tested nine of 75 checks written for this pay period; therefore, we are unable to estimate the total amount of reimbursement received for work performed before March 1, 2020. The payroll systems will only run reports by pay period so we were unable to run reports to determine the amount included for work performed before March 1, 2020. During testing, we found the following expenditures incurred before March 1, 2020:

- \$8,759 employer’s share retirement was reimbursed for February 2020 for employees of the Knox County Sheriff’s office.
- \$841 gross wages and \$202 employer’s share retirement were reimbursed for employees of the Knox County Sheriff’s office for work performed February 23, 2020 through February 29, 2020. We only tested one of ten checks written for this pay period.
- \$2,589 net wages, \$922 employer’s share retirement, and \$293 employer’s share FICA were reimbursed for employees of the Knox County Ambulance Service for work performed February 23, 2020 through February 29, 2020. We only tested four of 24 checks written for this pay period
- \$732 net wages, \$176 employer’s share retirement, and \$56 employer’s share FICA were reimbursed for accumulated leave vacation buyout paid to employee of the Knox County Ambulance Service.
- \$1,428 gross wages, \$119 employer’s share retirement, and \$109 employer’s share FICA were reimbursed for employees of the Knox County Jail for work performed February 23, 2020 through February 29, 2020. We only tested four of 41 checks written for this pay period
- \$640 cleaning supplies for the jail with invoice dated January 9, 2020. We tested three of 35 invoices for cleaning supplies for the jail and reviewed the dates on 32 invoices not tested. This invoice appears to be an isolated incident.

**KNOX COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2020**  
**(Continued)**

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

2020-006 The Knox County Fiscal Court Failed To Implement Internal Controls To Ensure Costs Submitted For Reimbursement Occurred After February 29, 2020 (Continued)

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Not a repeat finding.

We recommend fiscal court strengthen internal controls over federal awards to ensure disbursements have not been reimbursed that were incurred outside the period of the award. We also recommend that the fiscal court contact the Department for Local Government to determine if questioned costs should be repaid or if they can resubmit request with eligible expenditures.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: We agree. This has already been corrected with the Department for Local Government.*

**Section IV: Summary Schedule of Prior Audit Findings**

Finding Number	Prior Year Finding Title	Status	Corrective Action
2019-001	The Knox County Fiscal Court Did Not Provide The Same Level of Health Insurance Benefits To All County	Unresolved	See corrective action for current year finding 2020-003.
2019-002	The Jail Commissary Lacks Adequate Segregation of Duties Over Receipts and Disbursements	Unresolved	See corrective action for current year finding 2020-005.
2019-003	The Fiscal Court Did Not Budget All County Funds	Resolved	Fiscal Courty budgeted all funds in fiscal year 2020.
2019-004	The Fiscal Court Did Not Have Controls Over Disbursements	Partially Resolved	Fiscal Court implemented new controls over material expenditures.

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

**KNOX COUNTY FISCAL COURT**

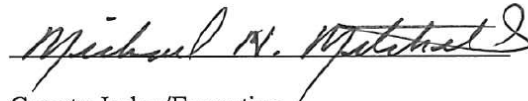
**For The Year Ended June 30, 2020**


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

For The Year Ended June 30, 2020

The Knox 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