

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

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



**MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS  
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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 Craig Z. Clymer, McCracken County Judge/Executive  
Members of the McCracken County Fiscal Court

The enclosed report prepared by Tichenor & Associates, LLP, Certified Public Accountants, presents the financial statement of McCracken County, Kentucky, for the year ended June 30, 2020.

We engaged Tichenor & Associates, LLP to perform the audit of this financial statement. We worked closely with the firm during our report review process; Tichenor & Associates, LLP evaluated the McCracken County Fiscal Court's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Mike Harmon  
Auditor of Public Accounts

Enclosure



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To the People of Kentucky

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Independent Auditors' Report

**Report on the Financial Statement**

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

**Auditors' 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 McCracken 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 McCracken 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 McCracken 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 McCracken 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. 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.



To the People of Kentucky  
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**Other Matters (Continued)**

*Supplementary and Other Information (Continued)*

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 September 28, 2021, on our consideration of the McCracken 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 McCracken 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 McCracken County Jail Lacks Adequate Controls Over The Inmate Fund
- 2020-002 The McCracken County Fiscal Court Did Not Approve Cash Transfers Prior To Making Them
- 2020-003 The McCracken County Jail Purchased Vehicles With Canteen Funds For Inmate Transport
- 2020-004 The McCracken County Fiscal Court Submitted Ineligible Expenses For Reimbursement From The Coronavirus Relief Fund

Respectfully submitted,

*Tichenor & Associates, LLP*

Tichenor & Associates, LLP  
Louisville, Kentucky

September 28, 2021

**MCCRACKEN COUNTY OFFICIALS****For The Year Ended June 30, 2020****Fiscal Court Members:**

Craig Z. Clymer	County Judge/Executive
Bill Bartleman	Commissioner
Jeff Parker	Commissioner
Eddie Jones	Commissioner

**Other Elected Officials:**

Sam Clymer	County Attorney
David Knight	Jailer
Julie Griggs	County Clerk
Kim Channell	Circuit Court Clerk
Matthew Carter	Sheriff
Bill Dunn	Property Valuation Administrator
Amanda Melton	Coroner

**Appointed Personnel:**

Steve Doolittle	Deputy Judge/Executive
Pamela Thompson	County Treasurer
Randy Williams	Road Supervisor

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

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

**MCCRACKEN 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	\$ 12,580,999	\$	\$
In Lieu Tax Payments	1,197,405		
Licenses and Permits	456,194		
Intergovernmental	3,223,111	1,889,107	3,785,290
Charges for Services	29,527		137,216
Miscellaneous	804,866		364,580
Interest	55,119		
Total Receipts	<u>18,347,221</u>	<u>1,889,107</u>	<u>4,287,086</u>
<b>DISBURSEMENTS</b>			
General Government	4,068,750		
Protection to Persons and Property	937,926		4,645,532
General Health and Sanitation	398,377		
Social Services	70,443		
Recreation and Culture	234,111		
Roads		2,549,584	
Airports	159,200		
Bus Services	19,373		
Debt Service	52,071		
Capital Projects	13,552	42,000	
Administration	2,839,982	631,111	1,987,304
Total Disbursements	<u>8,793,785</u>	<u>3,222,695</u>	<u>6,632,836</u>
Excess (Deficiency) of Receipts Over Disbursements before Other Adjustments to Cash (Uses)	<u>9,553,436</u>	<u>(1,333,588)</u>	<u>(2,345,750)</u>
<b>Other Adjustments to Cash (Uses)</b>			
Transfers from Other Funds	22,795	1,409,861	2,703,652
Transfers to Other Funds	(9,449,818)		
Total Other Adjustments to Cash (Uses)	<u>(9,427,023)</u>	<u>1,409,861</u>	<u>2,703,652</u>
Net Change in Fund Balance	126,413	76,273	357,902
Fund Balance - Beginning	2,728,323		
Fund Balance - Ending	<u>\$ 2,854,736</u>	<u>\$ 76,273</u>	<u>\$ 357,902</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 2,884,885	\$ 79,535	\$ 365,375
Less: Outstanding Checks	(30,149)	(3,262)	(7,473)
Fund Balance - Ending	<u>\$ 2,854,736</u>	<u>\$ 76,273</u>	<u>\$ 357,902</u>

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

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

<b>Budgeted Funds</b>						
<b>Local Government Economic Assistance Fund</b>	<b>State Grant Fund</b>	<b>Federal Grant Fund</b>	<b>Sheriff Fund</b>	<b>Economic Assistance Fund</b>	<b>Juvenile Justice Fund</b>	<b>Transient Room Tax Fund</b>
\$	\$	\$	\$	\$	\$	\$ 2,613,524
68,100	36,398	297,680	2,069,325			
			17,195	87,428		3,064
<u>68,100</u>	<u>36,398</u>	<u>297,680</u>	<u>2,086,520</u>	<u>87,428</u>		<u>2,616,588</u>
			3,213,019	173,104	\$	
	20,250	296,536				1,989,248
						686,353
			1,940,562			
	<u>20,250</u>	<u>296,536</u>	<u>5,153,581</u>	<u>173,104</u>		<u>2,675,601</u>
68,100	16,148	1,144	(3,067,061)	(85,676)		(59,013)
			3,423,396			
		(14,981)				
		<u>(14,981)</u>	<u>3,423,396</u>			
68,100	16,148	(13,837)	356,335	(85,676)		(59,013)
249	16,300	14,981		888,296		812,081
<u>\$ 68,349</u>	<u>\$ 32,448</u>	<u>\$ 1,144</u>	<u>\$ 356,335</u>	<u>\$ 802,620</u>	<u>\$ 0</u>	<u>\$ 753,068</u>
\$ 68,349	\$ 32,448	\$ 1,144	\$ 363,550	\$ 809,293	\$	\$ 753,068
			(7,215)	(6,673)		
<u>\$ 68,349</u>	<u>\$ 32,448</u>	<u>\$ 1,144</u>	<u>\$ 356,335</u>	<u>\$ 802,620</u>	<u>\$ 0</u>	<u>\$ 753,068</u>

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

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

	<u>Budgeted Funds</u>		<u>Unbudgeted Fund</u>	<u>Total Funds</u>
	<u>Unclaimed Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Jail Commissary Fund</u>	
<b>RECEIPTS</b>				
Taxes	\$	\$	\$	\$ 15,194,523
In Lieu Tax Payments				1,197,405
Licenses and Permits				456,194
Intergovernmental				11,369,011
Charges for Services				166,743
Miscellaneous	3,815	722,901	297,683	2,298,468
Interest		397	91	58,671
Total Receipts	<u>3,815</u>	<u>723,298</u>	<u>297,774</u>	<u>30,741,015</u>
<b>DISBURSEMENTS</b>				
General Government				7,454,873
Protection to Persons and Property				5,583,458
General Health and Sanitation				398,377
Social Services				387,229
Recreation and Culture			196,183	2,419,542
Roads				2,549,584
Airports				159,200
Bus Services				19,373
Debt Service		2,343,419		3,081,843
Capital Projects				55,552
Administration		1,100		7,400,059
Total Disbursements		<u>2,344,519</u>	<u>196,183</u>	<u>29,509,090</u>
Excess (Deficiency) of Receipts Over Disbursements before Other Adjustments to Cash (Uses)	<u>3,815</u>	<u>(1,621,221)</u>	<u>101,591</u>	<u>1,231,925</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers from Other Funds		1,912,909		9,472,613
Transfers to Other Funds	(7,814)			(9,472,613)
Total Other Adjustments to Cash (Uses)	<u>(7,814)</u>	<u>1,912,909</u>		
Net Change in Fund Balance	(3,999)	291,688	101,591	1,231,925
Fund Balance - Beginning	<u>8,010</u>	<u>118</u>	<u>31,584</u>	<u>4,499,942</u>
Fund Balance - Ending	<u>\$ 4,011</u>	<u>\$ 291,806</u>	<u>\$ 133,175</u>	<u>\$ 5,731,867</u>
<b>Composition of Fund Balance</b>				
Bank Balance	\$ 4,011	\$ 307,946	\$ 133,175	\$ 5,802,779
Less: Outstanding Checks		(16,140)		(70,912)
Fund Balance - Ending	<u>\$ 4,011</u>	<u>\$ 291,806</u>	<u>\$ 133,175</u>	<u>\$ 5,731,867</u>

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

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TO THE FINANCIAL STATEMENT**

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**MCCRACKEN COUNTY  
NOTES TO FINANCIAL STATEMENT**

**June 30, 2020**

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

**A. Reporting Entity**

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

**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.



**MCCRACKEN 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)**

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

State Grant Fund - The primary purpose of this fund is to account for state grant receipts and state grant disbursements of the county.

Federal Grant Fund - The primary purpose of this fund is to account for federal grant receipts and federal grant disbursements of the county.

Sheriff Fund - The primary purpose of this fund is to account for the sheriff's receipts and disbursements. The primary source of receipts for this fund is the sheriff's excess fees.

Economic Assistance Fund - The primary purpose of this fund is to account for bond funds used for local industrial projects.

Juvenile Justice Fund - The primary purpose of this fund is to account for housing expenses of the county's juvenile offenders. The primary source of receipts for this fund is transfers from the general fund.

Transient Room Tax Fund - The primary purpose of this fund is to account for collection and distribution of transient room tax.

Unclaimed Revenue Fund - The primary purpose of this fund is to account for assets from the estates of pauper burials the county is responsible for.

Debt Service Fund - The primary purpose of this fund is to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest of the Public Properties Corporation. The fiscal court budgeted this fund; however, the state local finance officer does not require it to be budgeted.

**Unbudgeted Funds**

The fiscal court reports the following unbudgeted funds:

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

**D. Budgetary Information**

Annual budgets are adopted on a regulatory basis of accounting, 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.

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

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

**D. Budgetary Information (Continued)**

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

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

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

**E. McCracken County Elected Officials**

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

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

**F. Deposits**

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.

**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.

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

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

**H. Related Obligations and Joint Ventures**

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

Paducah-McCracken County Convention Center and Visitors Bureau  
 McCracken County Extension District  
 Paducah-McCracken County Joint Sewer Agency  
 West McCracken Water/Sewer District  
 Hendron Water District  
 Paducah-McCracken County Senior Citizens Center  
 McCracken County Public Library  
 Hendron Fire District  
 Concord Fire District  
 Lone Oak Fire District  
 Melber Fire District  
 West McCracken Fire District  
 Reidland-Farley Fire District  
 McCracken County Sports Tourism Commission

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

Greater Paducah Economic Development (GPED)  
 McCracken and Paducah Geographic Information Systems  
 Paducah-McCracken County 911  
 Paducah-McCracken Industrial Development Authority

**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 as of June 30, 2020.

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

**Note 2. Deposits (Continued)**

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.

**Note 3. Transfers**

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

	General	Unclaimed	Federal	Total
	Fund	Revenue	Fund	Transfers In
		Fund		
General Fund	\$	\$ 7,814	\$ 14,981	\$ 22,795
Road Fund	1,409,861			1,409,861
Jail Fund	2,703,652			2,703,652
Sheriff Fund	3,423,396			3,423,396
Debt Service Fund	1,912,909			1,912,909
Total Transfers Out	<u>\$ 9,449,818</u>	<u>\$ 7,814</u>	<u>\$ 14,981</u>	<u>\$ 9,472,613</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 agency trust 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 \$160,070.

**Note 5. Health Reimbursement Account/Flexible Spending Account**

The McCracken County Fiscal Court established a health reimbursement account on February 11, 2013, to provide employees an additional health benefit. The county has contracted with a third-party administrator to administer the plan. The plan provides a debit card to each eligible employee, providing funds as determined by health insurance coverage each year to pay for qualified medical expenses. Employees may also contribute additional pre-tax funds through payroll. The balance in the health reimbursement account as of June 30, 2020 was \$257,158.

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

**Note 6. Receivables**

The McCracken County Fiscal Court has receivables due on June 30, 2020, as follows:

**A. General Obligation Bonds, Series 2011 - Murray State University Project**

On November 22, 2011, McCracken County issued \$9,980,000 in General Obligation Bonds, Series 2011 for the purpose of increasing the public higher education opportunities for residents of the Greater Paducah region. On May 31, 2011, a mutual covenant was formed between McCracken County (County), the City of Paducah (City), Murray State University (MSU), and the Greater Paducah Economic Development Council (GPEDC). The County, City, and GPEDC are to provide a combined \$500,000 per year for 20 years to service the debt of the bonds. It is the responsibility of MSU to make a renewable lease payment to the County for the difference in the County and City's \$500,000 a year contribution, as they may allocate towards the debt service, projected payment to be no more than \$290,000 per year. As of June 30, 2020, the debt service requirements have been met.

**B. Paducah Economic Development**

On September 18, 2007, the McCracken County Fiscal Court (County) and the City of Paducah (City) entered into a financing agreement with the Paducah Economic Development (PED) for the acquisition of property. As part of the agreement, the PED executed and delivered to the County an interest free promissory note in the amount of \$600,000 for one half of the financing. On December 19, 2008, the County agreed to an additional note of \$311,375 for the PED to purchase property. In December 2013, the County forgave \$500,000 of the \$911,375. On July 13, 2020, the County approved to extend the \$411,375 County Loan Financing Agreement with PED to June 30, 2021, for economic development of property located in McCracken County and known as Riverport West.

**C. County Attorney Overcompensation Agreement**

On January 7, 2016, the McCracken County Fiscal Court and former county attorneys entered into an agreement for repayment of county attorney overcompensation in the amount of \$138,659. The fiscal court and the former county attorneys agreed and settled upon a six-year and eleven-year repayment terms. The fiscal court received \$15,000 during the current year. As of June 30, 2020, the remaining balance was \$37,960.

**Note 7. Long-term Debt**

**A. Direct Borrowings and Direct Placements**

**1. U.S. Bank Financing Obligation - Energy Efficiency Project**

On July 15, 2016, the fiscal court entered into an agreement with U.S. Bancorp Government Leasing and Finance, Inc. in the sum of \$3,149,377 at a 2.19 percent effective interest rate. The financing obligation is for the purpose of providing upgrades to aging HVAC systems, other facility needs, and reduce operating costs associated with energy efficiency. The maturity date of the obligation is January 1, 2032. As of June 30, 2020, outstanding bond principal was \$2,627,477. Future principal and interest requirements are:

**MCCRACKEN COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**JUNE 30, 2020**  
**(Continued)**

**Note 7. Long-term Debt (Continued)**

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

**1. U.S. Bank Financing Obligation - Energy Efficiency Project (Continued)**

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 193,689	\$ 56,487
2022	197,954	52,222
2023	202,313	47,863
2024	206,767	43,408
2025	211,321	38,855
2026-2030	1,128,485	122,394
2031-2032	486,948	13,404
Totals	<u>\$ 2,627,477</u>	<u>\$ 374,633</u>

**2. Financing Obligation - 2017 Refunding General Obligation Leases**

On September 25, 2017, the fiscal court entered into an agreement with Regions Equipment Finance in the sum of \$4,732,537. The financing obligation is for the purpose of partial refinance of the two 2010 KACO leases (see Note 7.A.3. and 7.A.4.), in order to provide savings for the county. The maturity date of the obligation is January 24, 2029. As of June 30, 2020, outstanding principal was \$4,572,244. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 357,084	\$ 130,449
2022	664,252	113,834
2023	680,684	94,300
2024	696,293	74,262
2025	710,575	53,821
2026-2029	1,463,356	69,116
Totals	<u>\$ 4,572,244</u>	<u>\$ 535,782</u>

**3. KaCOLT Financing Obligation - Convention Center Renovation**

On December 20, 2010, the fiscal court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program (KaCOLT) in the sum of \$4,965,000 at a 4.25 percent effective interest rate. The financing obligation is for the purpose of refinancing the renovation of the Julian Carroll Convention Center. On September 25, 2017, in order to save costs, the fiscal court refinanced a portion of the outstanding lease. The unrefunded balance of the 2010 lease was \$843,333. The maturity date of the obligation is January 1, 2021. As of June 30, 2020, outstanding principal was \$132,500. Future principal and interest requirements are:

**MCCRACKEN COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**JUNE 30, 2020**  
**(Continued)**

**Note 7. Long-term Debt (Continued)**

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

**3. KaCOLT Financing Obligation - Convention Center Renovation (Continued)**

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 132,500	\$ 6,338
Totals	\$ 132,500	\$ 6,338

**4. KaCOLT Financing Obligation - Jail and Sheriff's Office Expansion**

On December 20, 2010, the fiscal court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program (KaCOLT) in the sum of \$4,145,000 at a 4.25 percent effective interest rate. The financing obligation is for the purpose of refinancing the expansion of the jail and the sheriff's office. On September 25, 2017, in order to save costs, the fiscal court refinanced a portion of the outstanding lease. The unrefunded balance of the 2010 lease was \$936,667. The maturity date of the obligation is January 1, 2021. As of June 30, 2020, outstanding principal was \$147,500. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 147,500	\$ 6,637
Totals	\$ 147,500	\$ 6,637

**B. Other Debt**

**1. General Obligation Bonds, Series 2011 (MSU Project)**

On November 22, 2011, the fiscal court issued McCracken County, Kentucky General Obligation Bonds, (Murray State University Project), Series 2011. The bonds originally totaled \$9,980,000, and the proceeds will be used for the purposes of (i) constructing an education building and associated streets, parking lots, utilities and infrastructure, and (ii) paying the costs of issuance of the bonds, which are dated November 22, 2011, have interest rates of 1 percent to 3.50 percent and mature beginning in December 2012 through December 2031. A mutual covenant was formed by the McCracken County Fiscal Court, the City of Paducah, Murray State University, and the Greater Paducah Economic Development Council. See Note 6.A. for the receivable. The balance on these bonds as of June 30, 2020, was \$6,535,000. Future principal and interest requirements are as follows:

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

**Note 7. Long-term Debt (Continued)**

**B. Other Debt (Continued)**

**1. General Obligation Bonds, Series 2011 (MSU Project) (Continued)**

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 465,000	\$ 187,263
2022	480,000	176,331
2023	490,000	164,506
2024	500,000	151,819
2025	515,000	138,175
2026-2030	2,820,000	447,509
2031-2032	1,265,000	44,325
Totals	<u>\$ 6,535,000</u>	<u>\$ 1,309,928</u>

**2. General Obligation Bonds, Series 2013A (TeleTech Project)**

On June 17, 2013, the fiscal court sold McCracken County, Kentucky General Obligation Bonds, (TeleTech Project), Series 2013A. The bonds originally totaled \$1,415,000, and the proceeds will be used for the purposes of (i) financing the acquisition, construction, installation, and equipping of an approximately 30,000 square foot building, which will be subleased to TeleTech Services Corporation, and (ii) paying the costs of issuance of the bonds, which are dated June 17, 2013, have interest rates of 1 percent to 5 percent and mature beginning in December 2013 through December 2032. The balance on these bonds as of June 30, 2020, was \$1,025,000. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 60,000	\$ 44,900
2022	65,000	42,869
2023	65,000	40,756
2024	65,000	38,400
2025	70,000	35,700
2026-2030	400,000	127,150
2031-2033	300,000	23,000
Totals	<u>\$ 1,025,000</u>	<u>\$ 352,775</u>



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

**Note 7. Long-term Debt (Continued)**

**B. Other Debt (Continued)**

**3. General Obligation Bonds, Series 2013B (Whitehall/MACCO Project)**

On September 10, 2013, the fiscal court sold McCracken County, Kentucky General Obligation Bonds (Whitehall/MACCO Project), Series 2013B. The bonds originally totaled \$3,015,000 and the proceeds will be used for the purposes of (i) financing improvements to an industrial/distribution facility located within the County (the MACCO Project) to be leased to a Kentucky subsidiary of MACCO Organiques Incorporated, a Canadian corporation, (ii) financing equipment for the use by SRS Industries, LLC d/b/s Whitehall Industries, a Michigan limited liability company, at an industrial/distribution facility located within the county to be leased by such company (the Whitehall Project and together with the MACCO Project, the Project), and (iii) paying the costs of issuing the bonds. The bonds have interest rates of 3 percent to 5 percent and mature beginning in March 2014 through September 2033. The fiscal court received a good faith deposit of \$60,300, in September 2013 along with the remainder of the funds. The balance of these bonds as of June 30, 2020, was \$1,745,000. Annual debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 235,000	\$ 64,125
2022	240,000	57,000
2023	250,000	49,650
2024	255,000	42,075
2025	60,000	36,750
2026-2030	355,000	133,875
2031-2034	350,000	36,250
Totals	<u>\$ 1,745,000</u>	<u>\$ 419,725</u>

**4. Revenue Bonds First Mortgage Revenue Refunding Bonds, Series 2013**

On December 17, 2013, the fiscal court sold McCracken County, Kentucky Public Properties Corporation First Mortgage Revenue Refunding Bonds, Series 2013, (Courthouse Project) through the McCracken County, Kentucky Public Properties Corporation. The bonds totaled \$3,165,000, and the proceeds were used for the purposes of, (i) refunding all of the outstanding Series 2004 bonds issued by the McCracken County Public Properties Corporation and (ii) paying the cost of issuance on the bonds, which are dated December 17, 2013, have interest rates of 1 percent to 3.65 percent and mature beginning in June 2014 through June 2027. The county will be in default if any of the following events occur, (i) failure of the principal payment when due or upon call for redemption, (ii) failure to make any interest payment due, (iii) Default in performance or observance of any other of the covenants, agreements or conditions on their part contained in the Mortgage or Lease, any authorizing resolution of the Corporation, the County or AOC, or the Bonds, and such failure, refusal or default will continue for a period of forty-five (45) days after the written notice thereof by the Trustee or by Owners of not less than twenty-five (25%) in a principal amount of the Outstanding Bonds to the Corporation, the County or AOC, as applicable. The Owners of the bonds remedies in an event of default are the following, (i) foreclose on the mortgage lien on the project site and improvements granted by the mortgage or carry out decretal sale. However, no foreclosure sale will result in a deficiency judgement of any type or in any amount against AOC, the county or the corporation.

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

**Note 7. Long-term Debt (Continued)**

**B. Other Debt (Continued)**

**4. Revenue Bonds First Mortgage Revenue Refunding Bonds, Series 2013 (Continued)**

The county may at any time by the discharge of the bonds and interest thereon receive an unencumbered fee simple title to the mortgaged facilities; provided that the event of any such enforcement of said lien by the Trustee, there will first be paid all expenses incident to said document, and thereafter the Bonds then outstanding will be paid and retired, (ii) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Owners of the Bonds, including the right to require the Corporation to enforce fully the Lease and to charge, collect and fully account for the Pledged Receipts, and to require the Corporation to carry out any and all other covenants or agreements with the Bondholders and to perform its duties under the Act, (iii) by bring suit upon the bonds, (iv) by action or suit in equity, require the Corporation to account as if it were the trustee of an express trust for the Owners of the Bonds (v) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of the Bonds (vi) by declaring all Bonds due and payable, and if all defaults will be made good, then, with the written consent of the Owners of not less than fifty percent in a principal amount of the Outstanding Bonds are declared due and payable, by selling Investment Obligations of the Corporation (to the extent not theretofore set aside for redemption of the Bonds for which call has been made), and enforcing all choices in action of the Corporation to the fullest legal extent in the name of the Corporation for the use and benefit of the Owners of the Bonds. As of June 30, 2020, outstanding bond principal was \$1,345,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 205,000	\$ 36,082
2022	215,000	30,981
2023	215,000	25,230
2024	220,000	18,974
2025	230,000	12,109
2026-2027	<u>260,000</u>	<u>5,178</u>
Totals	<u>\$ 1,345,000</u>	<u>\$ 128,554</u>

**5. Convention Center and Four Rivers Centers - City of Paducah**

On August 19, 2010, the McCracken County Fiscal Court (County) issued a note payable to the City of Paducah, Kentucky (City) in the amount of \$3,582,500. The note was authorized for the purpose of paying the County's 50 percent portion of the refinancing costs related to the original acquisition, construction, installation, and equipping of the expansion to the Julian Carroll Convention Center and the construction of the Julian Carroll Convention Center and the construction of the Four Rivers Center for the Performing Arts (collectively, the Project) and paying the County's 50 percent portion of the costs of issuance by the City of its General Obligation Refunding Bonds, Series 2010 being issued to refinance the costs of the Project. The note has interest rates of 1.0 percent to 3.25 percent and interest payments are to be made semi-annually beginning December 1, 2010. Principal payments are to be made annually on June 1 with the final payment due June 1, 2026. The balance on the note as of June 30, 2020, was \$1,570,000. Annual debt service requirements to maturity are as follows:

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

**Note 7. Long-term Debt (Continued)**

**B. Other Debt (Continued)**

**5. Convention Center and Four Rivers Centers - City of Paducah (Continued)**

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 242,500	\$ 48,819
2022	250,000	41,544
2023	257,500	34,043
2024	265,000	26,319
2025	272,500	18,038
2026	282,500	9,181
Totals	<u>\$ 1,570,000</u>	<u>\$ 177,944</u>

**6. Speculative Building - City of Paducah**

On August 23, 2011, the McCracken County Fiscal Court (County) issued a note payable to the City of Paducah, Kentucky (City) in the amount of \$1,955,000. The note was authorized for the purpose of refinancing the May 1, 2004 note payable to the City. In August 2011, the City issued General Obligation Taxable Refunding Bonds of \$3,910,000 to advance refund General Obligation Public Projects Bonds, Series 2004 issued for the purpose of acquisition, construction, and installation of an approximately 100,000 square foot building to be leased by the City and County to the Paducah McCracken Industrial Development Authority.

On June 1, 2004, the City and County entered into a lease agreement with the Paducah McCracken County Industrial Development Authority. On June 23, 2014, the Paducah McCracken County Industrial Development Authority entered into an agreement with Genova Products, Inc. Genova shall be responsible for the payment of the monthly rent installments for the remainder of the term of the lease. The note has an interest rate of 3.68 percent and interest payments are to be made semiannually beginning December 1, 2011. Principal payments are to be made annually on June 1 with the final payment due on June 1, 2024. The balance on the note as of June 30, 2020, was \$632,500. Annual debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 172,500	\$ 23,276
2022	180,000	16,928
2023	187,500	10,304
2024	92,500	3,404
Totals	<u>\$ 632,500</u>	<u>\$ 53,912</u>

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

**Note 7. Long-term Debt (Continued)**

**B. Other Debt (Continued)**

**7. Julian Carroll Convention Center - City of Paducah**

On January 1, 2017, the McCracken County Fiscal Court (County) issued a note payable to the City of Paducah, Kentucky (City) in the amount of \$1,500,000. The note was authorized for the purpose of paying the County's 50 percent portion of the lease in order to finance the acquisition, construction, installation, and equipping of improvement to the Julian Carroll Convention Center, which is to be owned by the Paducah-McCracken County Convention Center Corporation, a non-profit, charitable corporation established at the direction of the City and the County. The lease has an interest rate of 1.98 percent. Principal and interest payments are to be made semi-annually beginning July 24, 2017. The maturity date of the lease is January 24, 2032. The balance as of June 30, 2020, was \$1,431,062. Annual debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 23,820	\$ 28,217
2022	24,158	27,743
2023	24,639	27,262
2024	25,265	26,771
2025	26,241	26,266
2026-2030	863,055	98,568
2031-2032	443,884	11,015
Totals	<u>\$ 1,431,062</u>	<u>\$ 245,842</u>

**C. Aggregate Debt Schedules**

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

Fiscal Year Ending June 30	Other Debt		Direct Borrowing and Direct Placements	
	Principal	Interest	Principal	Interest
2021	\$ 1,403,820	\$ 432,682	\$ 830,773	\$ 199,911
2022	1,454,158	393,396	862,206	166,056
2023	1,489,639	351,751	882,997	142,163
2024	1,422,765	307,762	903,060	117,670
2025	1,173,741	267,038	921,896	92,676
2026-2030	4,980,555	821,461	2,591,841	191,510
2031-2034	2,358,884	114,590	486,948	13,404
Totals	<u>\$ 14,283,562</u>	<u>\$ 2,688,680</u>	<u>\$ 7,479,721</u>	<u>\$ 923,390</u>

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

**Note 7. 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	Due In More Than One Year
General Obligation Bonds	\$10,050,000	\$	\$ 745,000	\$ 9,305,000	\$ 760,000	8,545,000
Revenue Bonds	1,550,000		205,000	1,345,000	205,000	1,140,000
Financing Obligations	8,279,774		800,053	7,479,721	830,773	6,648,948
Notes Payable	4,059,685		426,123	3,633,562	438,820	3,194,742
<b>Total Long-term Debt</b>	<b>\$23,939,459</b>	<b>\$</b>	<b>\$2,176,176</b>	<b>\$21,763,283</b>	<b>\$2,234,593</b>	<b>\$ 19,528,690</b>

**Note 8. 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 \$2,189,754, FY 2019 was \$2,268,409, and FY 2020 was \$2,630,471.

Nonhazardous

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 6 percent of their salary to be allocated as follows: 5 percent will go to the member's account and 1 percent will go to the 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.

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

**Note 8. Employee Retirement System (Continued)**

The county's contribution rate for nonhazardous employees was 24.06 percent.

Hazardous

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 9 percent of their salary to be allocated as follows: 8 percent will go to the member's account and 1 percent will go to the 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. Hazardous members contribute 8 percent of their annual creditable compensation and also contribute 1 percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board of Directors based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A hazardous member's account is credited with a 7.5 percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

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

The county's contribution rate for hazardous employees was 39.58 percent.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

<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.

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

**Note 8. Employee Retirement System (Continued)**

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (Continued)

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

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

Benefits are covered under KRS 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. Health Insurance Coverage - Tier 2 and Tier 3 - Hazardous

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

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

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

**Note 8. Employee Retirement System (Continued)**

Other Post-Employment Benefits (OPEB) (Continued)

D. 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.

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

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

F. Death Benefit

If a retired member is receiving a monthly benefit based on at least 48 months of service credit, 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 9. Deferred Compensation**

On November 9, 1982, the McCracken 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.



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

**Note 9. Deferred Compensation (Continued)**

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

**Note 10. Insurance**

For the fiscal year ended June 30, 2020, the McCracken County Fiscal Court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 11. Landfill Closure and Post-Closure Costs**

The county landfill closed to the public on June 30, 1995. Since that time, the solid waste stream collected from households and businesses no longer go to a county owned landfill resource. This waste stream is hauled to a privately owned and managed facilities and post-closure. The county must comply with established state and federal landfill closure and post-closure procedures and must perform maintenance and monitoring at the site for thirty years after the closure. As of June 30, 2020, final approval of the closure had not yet been granted. In prior years, there was a noted concern that future post-closure costs could have a significant financial impact. Namely, it was speculated that a contaminated plume of groundwater would need to be addressed. To that end, McCracken County operated a series of wells that pumped groundwater into the public sanitary sewer system. In 2018, the state relieved the county of that obligation and the system was significantly disbanded. Also, in 2018, the county learned from state regulators that state resources would be used, if necessary, for further groundwater treatment programs. Effective January 1, 2020, the Joints Sewer Agency removed the landfill from its pre-treatment program. Costs for operating the landfill have declined to mowing, minimal testing and paying the local sanitary sewer agency for the collection of some run-off that collected in a manhole and conveyed to the agency. The fiscal court estimates that the five year future minimum liability for post-closure costs is a total of \$30,472.

**Note 12. Contingencies**

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

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

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

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**MCCRACKEN 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	\$ 11,840,000	\$ 12,208,302	\$ 12,580,999	\$ 372,697
In Lieu Tax Payments	1,050,000	1,197,403	1,197,405	2
Licenses and Permits	434,250	434,250	456,194	21,944
Intergovernmental	3,213,967	3,213,967	3,223,111	9,144
Charges for Services	51,000	51,000	29,527	(21,473)
Miscellaneous	575,150	704,287	804,866	100,579
Interest	50,000	50,000	55,119	5,119
Total Receipts	<u>17,214,367</u>	<u>17,859,209</u>	<u>18,347,221</u>	<u>488,012</u>
<b>DISBURSEMENTS</b>				
General Government	4,526,643	4,524,634	4,068,750	455,884
Protection to Persons and Property	713,778	1,009,247	937,926	71,321
General Health and Sanitation	423,607	435,720	398,377	37,343
Social Services	50,000	70,844	70,443	401
Recreation and Culture	299,900	273,340	234,111	39,229
Airports	135,000	159,200	159,200	
Bus Services		19,373	19,373	
Debt Service	51,000	52,071	52,071	
Capital Projects	13,250	13,552	13,552	
Administration	3,335,420	2,959,766	2,839,982	119,784
Total Disbursements	<u>9,548,598</u>	<u>9,517,747</u>	<u>8,793,785</u>	<u>723,962</u>
Excess (Deficiency) of Receipts Over Disbursements before Other Adjustments to Cash (Uses)	<u>7,665,769</u>	<u>8,341,462</u>	<u>9,553,436</u>	<u>1,211,974</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers from Other Funds			22,795	22,795
Transfers to Other Funds	(8,548,985)	(9,529,985)	(9,449,818)	80,167
Total Other Adjustments to Cash (Uses)	<u>(8,548,985)</u>	<u>(9,529,985)</u>	<u>(9,427,023)</u>	<u>102,962</u>
Net Change in Fund Balance	(883,216)	(1,188,523)	126,413	1,314,936
Fund Balance - Beginning	<u>883,216</u>	<u>1,472,677</u>	<u>2,728,323</u>	<u>1,255,646</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 284,154</u>	<u>\$ 2,854,736</u>	<u>\$ 2,570,582</u>

**MCCRACKEN 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>				
Licenses and Permits	\$ 2,500	\$ 2,500	\$	\$ (2,500)
Intergovernmental	1,823,800	1,823,800	1,889,107	65,307
Total Receipts	<u>1,826,300</u>	<u>1,826,300</u>	<u>1,889,107</u>	<u>62,807</u>
<b>DISBURSEMENTS</b>				
Roads	2,922,284	2,880,284	2,549,584	330,700
Capital Projects		42,000	42,000	
Administration	699,402	699,402	631,111	68,291
Total Disbursements	<u>3,621,686</u>	<u>3,621,686</u>	<u>3,222,695</u>	<u>398,991</u>
Excess (Deficiency) of Receipts Over Disbursements before Other Adjustments to Cash (Uses)	<u>(1,795,386)</u>	<u>(1,795,386)</u>	<u>(1,333,588)</u>	<u>461,798</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers from Other Funds	1,795,386	1,795,386	1,409,861	(385,525)
Total Other Adjustments to Cash (Uses)	<u>1,795,386</u>	<u>1,795,386</u>	<u>1,409,861</u>	<u>(385,525)</u>
Net Change in Fund Balance			76,273	76,273
Fund Balance - Beginning				
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 76,273</u>	<u>\$ 76,273</u>

**MCCRACKEN 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	\$ 4,871,000	\$ 3,819,100	\$ 3,785,290	\$ (33,810)
Charges for Services	174,000	174,000	137,216	(36,784)
Miscellaneous	250,000	292,337	364,580	72,243
Total Receipts	<u>5,295,000</u>	<u>4,285,437</u>	<u>4,287,086</u>	<u>1,649</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	5,223,624	5,202,685	4,645,532	557,153
Administration	2,013,910	2,034,849	1,987,304	47,545
Total Disbursements	<u>7,237,534</u>	<u>7,237,534</u>	<u>6,632,836</u>	<u>604,698</u>
Excess (Deficiency) of Receipts Over Disbursements before Other Adjustments to Cash (Uses)	<u>(1,942,534)</u>	<u>(2,952,097)</u>	<u>(2,345,750)</u>	<u>606,347</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers from Other Funds	1,942,534	2,923,534	2,703,652	(219,882)
Total Other Adjustments to Cash (Uses)	<u>1,942,534</u>	<u>2,923,534</u>	<u>2,703,652</u>	<u>(219,882)</u>
Net Change in Fund Balance		(28,563)	357,902	386,465
Fund Balance - Beginning				
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (28,563)</u>	<u>\$ 357,902</u>	<u>\$ 386,465</u>

**MCCRACKEN 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	\$ 500	\$ 500	\$ 68,100	\$ 67,600
Total Receipts	500	500	68,100	67,600
<b>DISBURSEMENTS</b>				
Social Services	500	500		500
Total Disbursements	500	500		500
Excess (Deficiency) of Receipts Over Disbursements before Other Adjustments to Cash (Uses)			68,100	68,100
Net Change in Fund Balance			68,100	68,100
Fund Balance - Beginning			249	249
Fund Balance - Ending	\$ 0	\$ 0	\$ 68,349	\$ 68,349



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

	<b>STATE GRANT FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 40,000	\$ 40,000	\$ 36,398	\$ (3,602)
Total Receipts	<u>40,000</u>	<u>40,000</u>	<u>36,398</u>	<u>(3,602)</u>
<b>DISBURSEMENTS</b>				
Social Services	40,000	40,000	20,250	19,750
Total Disbursements	<u>40,000</u>	<u>40,000</u>	<u>20,250</u>	<u>19,750</u>
Excess (Deficiency) of Receipts Over Disbursements before Other Adjustments to Cash (Uses)			<u>16,148</u>	<u>16,148</u>
Net Change in Fund Balance			16,148	16,148
Fund Balance - Beginning			<u>16,300</u>	<u>16,300</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 32,448</u>	<u>\$ 32,448</u>

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

	<b>FEDERAL GRANT FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 20,000	\$ 360,000	\$ 297,680	\$ (62,320)
Total Receipts	<u>20,000</u>	<u>360,000</u>	<u>297,680</u>	<u>(62,320)</u>
<b>DISBURSEMENTS</b>				
Social Services	20,000	360,000	296,536	63,464
Total Disbursements	<u>20,000</u>	<u>360,000</u>	<u>296,536</u>	<u>63,464</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			<u>1,144</u>	<u>1,144</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds			(14,981)	(14,981)
Total Other Adjustments to Cash (Uses)			<u>(14,981)</u>	<u>(14,981)</u>
Net Change in Fund Balance			(13,837)	(13,837)
Fund Balance - Beginning			<u>14,981</u>	<u>14,981</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,144</u>	<u>\$ 1,144</u>

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

	<b>SHERIFF FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 2,000,000	\$ 2,000,000	\$ 2,069,325	\$ 69,325
Miscellaneous			17,195	17,195
Total Receipts	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,086,520</u>	<u>86,520</u>
<b>DISBURSEMENTS</b>				
General Government	3,230,271	3,242,538	3,213,019	29,519
Administration	1,944,448	1,954,033	1,940,562	13,471
Total Disbursements	<u>5,174,719</u>	<u>5,196,571</u>	<u>5,153,581</u>	<u>42,990</u>
Excess (Deficiency) of Receipts Over Disbursements before Other Adjustments to Cash (Uses)	<u>(3,174,719)</u>	<u>(3,196,571)</u>	<u>(3,067,061)</u>	<u>129,510</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers from Other Funds	3,174,719	3,174,719	3,423,396	248,677
Total Other Adjustments to Cash (Uses)	<u>3,174,719</u>	<u>3,174,719</u>	<u>3,423,396</u>	<u>248,677</u>
Net Change in Fund Balance		(21,852)	356,335	378,187
Fund Balance - Beginning				
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (21,852)</u>	<u>\$ 356,335</u>	<u>\$ 378,187</u>

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

<b>ECONOMIC ASSISTANCE FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Miscellaneous	\$	\$	\$ 87,428	\$ 87,428
Total Receipts			87,428	87,428
<b>DISBURSEMENTS</b>				
General Government		173,104	173,104	
Total Disbursements		173,104	173,104	
Excess (Deficiency) of Receipts Over Disbursements before Other Adjustments to Cash (Uses)		(173,104)	(85,676)	87,428
Net Change in Fund Balance		(173,104)	(85,676)	87,428
Fund Balance - Beginning			888,296	888,296
Fund Balance - Ending	\$ 0	\$ (173,104)	\$ 802,620	\$ 975,724

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

<b>JUVENILE JUSTICE FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	\$ 35,000	\$ 35,000	\$	\$ 35,000
Total Disbursements	<u>35,000</u>	<u>35,000</u>		<u>35,000</u>
Excess (Deficiency) of Receipts Over Disbursements before Other Adjustments to Cash (Uses)	<u>(35,000)</u>	<u>(35,000)</u>		<u>35,000</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers from Other Funds	35,000	35,000		(35,000)
Total Other Adjustments to Cash (Uses)	<u>35,000</u>	<u>35,000</u>		<u>(35,000)</u>
Net Change in Fund Balance				
Fund Balance - Beginning				
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

**TRANSIENT ROOM TAX FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
	<b>RECEIPTS</b>			
Taxes	\$ 2,100,000	\$ 2,138,142	\$ 2,613,524	\$ 475,382
Interest	2,300	2,300	3,064	764
Total Receipts	<u>2,102,300</u>	<u>2,140,442</u>	<u>2,616,588</u>	<u>476,146</u>
<b>DISBURSEMENTS</b>				
Recreation and Culture	<u>2,085,091</u>	<u>1,990,575</u>	<u>1,989,248</u>	<u>1,327</u>
Total Disbursements	<u>2,085,091</u>	<u>2,676,928</u>	<u>2,675,601</u>	<u>1,327</u>
Excess (Deficiency) of Receipts Over Disbursements before Other Adjustments to Cash (Uses)	<u>17,209</u>	<u>(536,486)</u>	<u>(59,013)</u>	<u>477,473</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers to Other Funds	<u>(17,209)</u>	<u>(17,209)</u>		<u>17,209</u>
Total Other Adjustments to Cash (Uses)	<u>(17,209)</u>	<u>(17,209)</u>		<u>17,209</u>
Net Change in Fund Balance		(553,695)	(59,013)	494,682
Fund Balance - Beginning		<u>553,695</u>	<u>812,081</u>	<u>258,386</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 753,068</u>	<u>\$ 753,068</u>

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

<b>UNCLAIMED REVENUE FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Miscellaneous	\$	\$	\$ 3,815	\$ 3,815
Total Receipts			3,815	3,815
Excess (Deficiency) of Receipts Over Disbursements before Other Adjustments to Cash (Uses)			3,815	3,815
<b>Other Adjustments to Cash (Uses)</b>				
Transfers to Other Funds			(7,814)	(7,814)
Total Other Adjustments to Cash (Uses)			(7,814)	(7,814)
Net Change in Fund Balance			(3,999)	(3,999)
Fund Balance - Beginning			8,010	8,010
Fund Balance - Ending	\$	0	\$ 4,011	\$ 4,011

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

	<b>DEBT SERVICE FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 609,968	\$ 664,828	\$ 722,901	\$ 58,073
Interest	500	500	397	(103)
Total Receipts	<u>610,468</u>	<u>665,328</u>	<u>723,298</u>	<u>57,970</u>
<b>DISBURSEMENTS</b>				
Debt Service	2,229,023	2,343,418	2,343,419	(1)
Total Disbursements	<u>2,229,023</u>	<u>2,344,518</u>	<u>2,344,519</u>	<u>(1)</u>
Excess (Deficiency) of Receipts Over				
Disbursements before Other				
Adjustments to Cash (Uses)	<u>(1,618,555)</u>	<u>(1,679,190)</u>	<u>(1,621,221)</u>	<u>57,969</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers from Other Funds	1,618,555	1,618,555	1,912,909	294,354
Total Other Adjustments to Cash (Uses)	<u>1,618,555</u>	<u>1,618,555</u>	<u>1,912,909</u>	<u>294,354</u>
Net Change in Fund Balance		(60,635)	291,688	352,323
Fund Balance - Beginning			118	118
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (60,635)</u>	<u>\$ 291,806</u>	<u>\$ 352,441</u>



**MCCRACKEN 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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**MCCRACKEN COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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

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**MCCRACKEN 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 Homeland Security</u></b>				
<i>Passed-Through Kentucky Department of Emergency Management</i>				
Disaster Grants - Public Assistance	97.036	4428	\$	\$ 47,442
Emergency Management Performance Grants	97.042	2000000513	\$	\$ 31,724
<b>Total U.S. Department of Homeland Security</b>			<b>\$</b>	<b>\$ 79,166</b>
<b><u>U. S. Department of Housing and Urban Development</u></b>				
<i>Passed-Through Kentucky Department for Local Government</i>				
Community Development Block Grant	14.228	19-025	\$ 290,000	\$ 290,000
<b>Total U.S. Department of Housing and Urban Development</b>			<b>\$ 290,000</b>	<b>\$ 290,000</b>
<b><u>U. S. Department of Treasury</u></b>				
<i>Passed-Through Kentucky Department for Local Government</i>				
Covid 19-Coronavirus Relief Fund	21.019	C-301	\$	\$ 935,060
<b>Total U.S. Department of Treasury</b>			<b>\$</b>	<b>\$ 935,060</b>
<b><u>U. S. Department of Justice</u></b>				
Covid 19 - Coronavirus Emergency Supplemental Funding Program	16.034	2020-VD-BX-1818	\$	\$ 1,733
<b>Total U.S. Department of Justice</b>			<b>\$</b>	<b>\$ 1,733</b>
<b><u>U. S. Election Assistance Commission</u></b>				
<i>Passed-Through Kentucky State Board of Elections</i>				
2018 HAVA Election Security Grants	90.404	Not Available	\$	\$ 6,536
<b>Total U.S. Election Assistance Commission</b>			<b>\$</b>	<b>\$ 6,536</b>
Total Expenditures of Federal Awards			<b>\$ 290,000</b>	<b>\$ 1,312,495</b>

Note: The county received donated personal protective equipment in the amount of \$7,932 during the current fiscal year, which has not been audited.

The accompanying notes are an integral part of this schedule.

**MCCRACKEN 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 McCracken 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 McCracken County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of McCracken 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**

The county has not adopted an indirect cost rate and did not use the de minimis rate allowed by Uniform Guidance.

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

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

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**MCCRACKEN 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	\$ 1,862,460	\$ 180,724	\$	\$ 2,043,184
Construction In Progress	39,372	187,648	39,371	187,649
Buildings	42,489,742	141,283		42,631,025
Vehicles and Equipment	9,407,467	479,373	172,129	9,714,711
Infrastructure	97,467,078	1,145,571		98,612,649
 Total Capital Assets	 <u>\$ 151,266,119</u>	 <u>\$ 2,134,599</u>	 <u>\$ 211,500</u>	 <u>\$ 153,189,218</u>

**MCCRACKEN 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	\$ 20,000	20
Buildings and Building Improvements	\$ 20,000	50
Equipment	\$ 10,000	10
Vehicles	\$ 10,000	5
Infrastructure	\$ 20,000	
Unpaved Roadways		15
Paved Roadways, Subdivision Streets		25
Resurfacing		12
Bridges (all types)		50
Sidewalks (all types)		30
Office Equipment	\$ 10,000	5

**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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The Honorable Crain Z. Clymer, McCracken County Judge/Executive  
Members of the McCracken 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 Auditors' 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 McCracken County Fiscal Court for the fiscal year ended June 30, 2020, and the related notes to the financial statement which collectively comprise the McCracken County Fiscal Court's financial statement and have issued our report thereon dated September 28, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the McCracken 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 McCracken County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the McCracken 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 a certain deficiency in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001 to be a material weakness.

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

**Internal Control Over Financial Reporting (Continued)**

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2020-002 to be a significant deficiency.

**Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the McCracken County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2020-003.

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

McCracken 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,

*Tichenor & Associates, LLP*

Tichenor & Associates, LLP  
Louisville, Kentucky

September 28, 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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The Honorable Crain Z. Clymer, McCracken County Judge/Executive  
Members of the McCracken County Fiscal Court

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

Independent Auditors' Report

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

We have audited the McCracken County Fiscal Court's compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the McCracken County Fiscal Court's major federal programs for the year ended June 30, 2020. The McCracken County Fiscal Court's major federal programs are identified in the Summary of Auditors' 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.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the McCracken 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 McCracken 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 opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the McCracken 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 Qualified Opinion on COVID-19 Coronavirus Relief Fund**

As described in the accompanying schedule of findings and questioned costs, McCracken County Fiscal Court did not comply with requirements regarding CFDA 21.109 COVID-19 Coronavirus Relief Fund as described in finding 2020-004 for Activities Allowed or Unallowed and Period Of Performance. Compliance with such requirements is necessary, in our opinion, for McCracken County Fiscal Court to comply with the requirements applicable to that program.

**Qualified Opinion on COVID-19 Coronavirus Relief Fund**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, McCracken County Fiscal Court complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on COVID-19 Coronavirus Relief Fund for the year ended June 30, 2020.

**Unmodified Opinion the Other Major Federal Program**

In our opinion, McCracken County Fiscal Court complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the other major federal program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2020.

**Report on Internal Control over Compliance**

Management of the McCracken 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 the McCracken 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 as a basis for designing audit 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 the McCracken County Fiscal Court's internal control over compliance.

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)**

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 controls over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2020-004 to be a material weakness.

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

The McCracken County Fiscal Court's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The McCracken 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 result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

*Tichenor & Associates, LLP*

Tichenor & Associates, LLP  
Louisville, Kentucky

September 28, 2021

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

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

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**MCCRACKEN 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 checked="" type="checkbox"/> Yes	<input type="checkbox"/> None Reported
Are any noncompliances material to financial statements noted?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

***Federal Awards***

Internal control over major programs:

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grant
21.019	Coronavirus Relief Fund

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

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

**Section II: Financial Statement Findings**

***Internal Control - Material Weakness***

**2020-001 The McCracken County Jail Lacks Adequate Internal Controls Over The Inmate Fund**

---

This is a repeat finding and was included in the prior year audit report as finding 2019-002. During the 2020 fiscal year, the McCracken County Jail changed third-party commissary companies to oversee and maintain the inmate fund. From July 1, 2019 to January 8, 2020, there were no controls over the commissary account. The inmate fund was maintained solely by the commissary company. The commissary company received cash, made the deposits, posted transactions to the inmates' accounts, posted to the ledgers, prepared checks, and reconciled the account. Employees of the jail did not have access to any accounting records of the inmate fund, including resident transaction reports and bank statements. From January 9, 2020 to June 30, 2020, the new commissary company was in place and the McCracken County Jail employees had access to accounting records, including resident transaction reports and bank statements.

Rather than implement internal controls over the inmate fund, the McCracken County Jail relies on the commissary company to oversee all accounting functions of the fund.

A lack of adequate internal controls increases the risk that undetected fraud or errors could occur.

The jailer is responsible for the inmates of the county so it is imperative for the jailer to provide sufficient oversight of all accounts associated with the inmates, including the inmate fund.

We recommend the jailer implement internal controls over the inmate fund. These controls should include the jailer or designee reviewing the inmates' accounts to ensure correct fees are being charged, deposits are being posted correctly, and inmate balances are being refunded properly upon release of the inmates.

**Views of Responsible Official and Planned Corrective Action**

*County Jailer's Response: This has been corrected during fiscal year ended June 30, 2020.*

***Internal Control - Significant Deficiency***

**2020-002 The McCracken County Fiscal Court Did Not Approve Cash Transfers Prior To Making Them**

---

This is a repeat finding and was included in prior year audit report as finding 2019-004. During testing of transfers, there were two cash transfers that were made prior to being approved by the fiscal court. These transfers were made on August 27, 2019 and September 30, 2019.

The treasurer underestimated the disbursements in the sheriff's fund and made transfers to avoid a negative cash balance.

Due to lack of controls over cash transfers, the county's funds were at an increased risk of misappropriation.

Strong internal controls require oversight over the movement of funds in order to lower risk. The fiscal court is responsible for providing oversight to the treasurer and making the county's financial decisions.



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

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

***Internal Control - Significant Deficiency (Continued)***

2020-002 The McCracken County Fiscal Court Did Not Approve Cash Transfers Prior To Making Them  
 (Continued)

---

We recommend that all cash transfers be approved and documented in the fiscal court minutes before the transfers take place.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: Treasurer has implemented a process where cash transfers are approved by fiscal court prior to those cash transfers being made.*

***State Laws and Regulations***

2020-003 The McCracken County Jail Purchased Vehicles With Canteen Funds For Inmate Transport

---

This is a repeat finding and was included in the prior year audit report as finding 2019-008. During testing, it was noted that the McCracken County Jail purchased two vehicles with jail canteen funds. Thereby, logbooks were requested but they were not able to be provided. Per discussion with the jailer on October 7, 2020, the vehicles are utilized for transportation of prisoners for work programs, medical and dental appointments, as well as transfers to and from other facilities.

The jailer believes that these vehicles are being used in accordance with the KRS.

The jail commissary funds are being used for purchases that should be paid from the jail fund which reduces the amount of canteen funds available to make purchases that benefit and enhance the well-being of the prisoners. KRS 441.505(1) states, in part, "[t]he fiscal court of each county shall provide for the transportation of prisoner's as necessary from the jail budget." KRS 441.135(2) states, in part, "[a]ll profits from the canteen shall be used: (a) For the benefit and to enhance the well-being of the prisoners[.]"

We recommend the McCracken County Jail keep logbooks in all vehicles. Keeping logbooks will provide documentation to support the proper use of any vehicles purchased with canteen funds. In addition, all prisoner transportation that is not recreational, vocational, or medical in nature should be done with vehicles that have been purchased by the jail fund. Therefore, we recommend that the fiscal court and the jailer agree on a percentage amount that the vehicles were being used for inmate transport and that percentage will be used to calculate that amount of reimbursement the jail fund owes the commissary account.

Views of Responsible Official and Planned Corrective Action:

*County Jailer's Response: The [vehicle brand redacted] were brought for and assigned to the work program. Because of the COVID restrictions they were never used and ultimately sold.*

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

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

2020-004 The McCracken County Fiscal Court Submitted Ineligible Expenses For Reimbursement From The Coronavirus Relief Fund

---

*Federal Program: 21.109 COVID-19-Coronavirus Relief Fund*

*Award Number and Year: 2100000800, 2020 Reimbursement #1*

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

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

*Compliance Requirements: Activities Allowed/Unallowed, Period of Performance*

*Type of Finding: Material Weakness and Material Non-Compliance*

*Amount of Questioned Costs: \$156,367*

The McCracken County Fiscal Court submitted payroll expenses incurred prior to March 1, 2020, for reimbursement from the Coronavirus Relief Fund (CRF) administered by the Commonwealth of Kentucky's Department for Local Government (DLG). The ineligible expenses were for the county sheriff department's payrolls that were paid on March 6, 2020 and March 20, 2020. These payroll submissions included payroll costs incurred from February 9, 2020 through February 29, 2020, which was outside the CRF's prescribed period of performance.

Questioned costs were determined based upon the inclusion of the sheriff department's payrolls which were incurred from February 9, 2020 through February 28, 2020. These payroll costs were paid on March 6, 2020 and March 20, 2020 respectively. The amount of the sheriff department's payroll for the days in February being questioned is \$156,367.

The McCracken County Fiscal Court lacked sufficient internal controls over the period of performance. The county believed that the hours worked from February 9, 2020 to February 29, 2020 were within the period of performance of the grant. The fiscal court operates on a regulatory basis that closely resembles cash basis and the check dates were March 6, 2020 and March 20, 2020. These two factors led the fiscal court to believe that these costs were eligible for reimbursement under CRF.

As a result, the county submitted a request for reimbursement that included days worked from February 9 through February 29, 2020, which was outside the grant's period of performance and resulted in \$156,367 of questioned costs.

The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") established the Coronavirus Relief Fund (the "Fund") and appropriated \$150 billion for payments by Treasury to States, tribal governments, and certain local governments. The CARES Act provides that payments from the Fund may only be used to cover costs that—

1. Are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19);
2. Were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the State or government; and
3. Were incurred during the period that begins on March 1, 2020, and ends on December 31, 2021.

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

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

2020-004 The McCracken County Fiscal Court Submitted Ineligible Expenses For Reimbursement From The Coronavirus Relief Fund (Continued)

Initial guidance released on April 22, 2020, provided that the cost of an expenditure is incurred when the recipient has expended funds to cover the cost. Upon further consideration and informed by an understanding of state, local, and tribal government practices, Treasury clarified that for a cost to be considered to have been incurred, performance or delivery must occur during the covered period but payment of funds need not be made during that time (though it is generally expected that this will take place within 90 days of a cost being incurred).

Additionally, CFR 200.303 states: “The non-Federal entity must:

(a) Establish 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.”

We recommend the McCracken County Fiscal Court contact DLG for guidance on how to resolve this issue. We also recommend the McCracken County Fiscal Court strengthen internal controls over federal awards by implementing review processes to catch and resolve these matters going forward.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive’s Response: McCracken County believed they were following DLG guidance and were in compliance with all Federal and State requirements. Amended request and backup documentation has been submitted to DLG and no monies will be returned.*

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

Finding Number	Prior Year Finding Title	Status	Corrective Action
2019-001	The McCracken County Fiscal Court Lacks Internal Controls Over Cash Processes And Financial Reporting	Cleared	
2019-002	The McCracken County Jail Lacks Adequate Internal Controls Over The Inmate Fund	Current Finding	Requested Corrective Action
2019-003	The McCracken County Fiscal Court Lacks Adequate Segregation Of Duties The Collection Of Receipts	Cleared	
2019-004	The McCracken County Fiscal Court Did Not Approve Cash Transfers Prior To Making Them	Current Finding	Requested Corrective Action
2019-005	The McCracken County Fiscal Court Lacks Internal Controls Over a Third-Party Administrator	Cleared	
2019-006	The McCracken County Jail Did Not Properly Reconcile The Commissary Fund	Cleared	
2019-007	The Jailer’s Annual Commissary Report Was Not In Compliance With Minimum Accounting Standards	Cleared	
2019-008	The McCracken County Jail Purchased Vehicles With Canteen Funds For Inmate Transport	Current Finding	Requested Corrective Action