

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

**For The Year Ended
June 30, 2021**



**MIKE HARMON
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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 Timothy E. Graves, Washington County Judge/Executive
Members of the Washington County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Washington County Fiscal Court, for the year ended June 30, 2021, and the related notes to the financial statement which collectively comprise the Washington County Fiscal Court's financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. This includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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



To the People of Kentucky
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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 Washington 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 Washington County Fiscal Court as of June 30, 2021, 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 Washington County Fiscal Court as of June 30, 2021, 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 Washington County Fiscal Court. The Budgetary Comparison Schedules and Schedule of Capital Assets are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

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

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.

To the People of Kentucky
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2021, on our consideration of the Washington 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 Washington 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 Responses included herein, which discusses the following report finding:

2021-001 The Washington County Fiscal Court Does Not Reconcile The Payroll Revolving Accounts

Respectfully submitted,

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

Mike Harmon
Auditor of Public Accounts

December 14, 2021

WASHINGTON COUNTY OFFICIALS**For The Year Ended June 30, 2021****Fiscal Court Members:**

Timothy E. Graves	County Judge/Executive
Terry Tingle	Magistrate
Steve Devine	Magistrate
Bobby Russell	Magistrate
Kenny Hardin	Magistrate
John H. Graves	Magistrate
Phillip Carrico	Magistrate

Other Elected Officials:

Bill Robinson	County Attorney
Joe Mudd	Jailer
Teresa Marrinan	County Clerk
JoAnn Mudd Miller	Circuit Court Clerk
Jerry Pinkston	Sheriff
Fran Carrico	Property Valuation Administrator
Len Benedict	Coroner

Appointed Personnel:

Carla D. Hardin	County Treasurer
Sheila D. Smith	Deputy Judge Executive / Finance Officer
Kevin Devine	OEM Director

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

For The Year Ended June 30, 2021

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

For The Year Ended June 30, 2021

	Budgeted Funds			
	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund
RECEIPTS				
Taxes	\$ 2,950,816	\$	\$	\$
Excess Fees	177,004			
Licenses and Permits	54,401			
Intergovernmental	956,848	1,694,709	78,621	
Charges for Services	542,777			
Miscellaneous	200,222	293,458	920	
Interest	3,253	135	17	
Total Receipts	<u>4,885,321</u>	<u>1,988,302</u>	<u>79,558</u>	
DISBURSEMENTS				
General Government	1,132,172			
Protection to Persons and Property	997,119		587,931	
General Health and Sanitation	352,767			
Social Services	17,283	385		
Recreation and Culture	13,838			
Transportation Facility and Services		20,352		
Roads		1,246,655		18,309
Bus Services	21,060			
Debt Service	69,572	240,750		
Capital Projects		221,841		
Administration	906,792	227,685	44,112	48
Total Disbursements	<u>3,510,603</u>	<u>1,957,668</u>	<u>632,043</u>	<u>18,357</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,374,718</u>	<u>30,634</u>	<u>(552,485)</u>	<u>(18,357)</u>
Other Adjustments to Cash (Uses)				
Change in Payroll Revolving Account	5,082			
Transfers From Other Funds			525,978	
Transfers To Other Funds	(525,978)			
Total Other Adjustments to Cash (Uses)	<u>(520,896)</u>		<u>525,978</u>	
Net Change in Fund Balance	853,822	30,634	(26,507)	(18,357)
Fund Balance - Beginning	<u>1,331,001</u>	<u>663,227</u>	<u>56,582</u>	<u>38,105</u>
Fund Balance - Ending	<u>\$ 2,184,823</u>	<u>\$ 693,861</u>	<u>\$ 30,075</u>	<u>\$ 19,748</u>
Composition of Fund Balance				
Bank Balance	\$ 1,547,699	\$ 705,042	\$ 30,375	\$ 19,748
Less: Outstanding Checks	(23,199)	(11,181)	(300)	
Payroll Revolving Account Reconciled Balance	14,115			
Certificates of Deposit	646,208			
Fund Balance - Ending	<u>\$ 2,184,823</u>	<u>\$ 693,861</u>	<u>\$ 30,075</u>	<u>\$ 19,748</u>

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

WASHINGTON COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2021
(Continued)

<u>Unbudgeted Fund</u>	
Justice Center Corporation Fund	Total Funds
\$	\$ 2,950,816
	177,004
	54,401
901,200	3,631,378
	542,777
	494,600
	3,405
<u>901,200</u>	<u>7,854,381</u>
	1,132,172
	1,585,050
	352,767
	17,668
	13,838
	20,352
	1,264,964
	21,060
899,000	1,209,322
	221,841
<u>2,200</u>	<u>1,180,837</u>
<u>901,200</u>	<u>7,019,871</u>
	834,510
	5,082
	525,978
	<u>(525,978)</u>
	<u>5,082</u>
	839,592
<u>750</u>	<u>2,089,665</u>
<u>\$ 750</u>	<u>\$ 2,929,257</u>
\$ 750	\$ 2,303,614
	(34,680)
	14,115
	<u>646,208</u>
<u>\$ 750</u>	<u>\$ 2,929,257</u>

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

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TO THE FINANCIAL STATEMENT**

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**WASHINGTON COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2021

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

**WASHINGTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(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.

Unbudgeted Funds

The fiscal court reports the following unbudgeted fund:

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

D. Budgetary Information

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

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

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

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

E. Washington County Elected Officials

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

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

WASHINGTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments

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

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

G. Long-term Obligations

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

H. Related Obligations and Joint Ventures

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 is considered a joint venture of the Washington County Fiscal Court:

Springfield - Washington Economic 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.

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, 2021, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

WASHINGTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2021.

	General Fund	Total Transfers In
Jail Fund	\$ 525,978	\$ 525,978
Total Transfers Out	<u>\$ 525,978</u>	<u>\$ 525,978</u>

Reason for transfers:

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

Note 4. Long-term Debt

A. Direct Borrowings and Direct Placements

1. Road Department - Building

On October 11, 2016, the fiscal court entered into a note payable with Springfield State Bank in the amount of \$495,000 for the construction of a road department building. The interest rate is fixed at 3.50 percent. The term is for 120 months with the balance to be paid on October 11, 2026. In the event of default, the loan is secured by the property being financed and foreclosure upon said property would take place. As of June 30, 2021, the principal balance was \$281,630. Future principal and interest payments are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 45,780	\$ 9,058
2023	51,304	7,439
2024	53,114	5,628
2025	55,018	3,725
2026	56,975	1,768
2027	19,439	142
Totals	<u>\$ 281,630</u>	<u>\$ 27,760</u>

2. Road Department - 2021 Truck

On February 28, 2020, the fiscal court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$146,422 for the acquisition of a 2021 truck. The term of the agreement is for an 18 month period, at an interest rate of 3.99%. The agreement begins on April 10, 2020, and ends on October 20, 2021. In the event of default, the lessor may terminate the lease and give notice to surrender the equipment within 60 days, recover the lease payments which would have otherwise been payable during the lease period, or sell/sublease the equipment for the account of the lessee yet holding the lessee liable for all lease payments that would be due under the lease for which any proceeds of the sale/lease of the equipment does not provide. The lease was paid off on May 10, 2021. As of June 30, 2021, the principal balance was \$0.

WASHINGTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 4. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

3. Mackville Fire Department - Tanker Truck

On October 17, 2014, the fiscal court, on behalf of the Mackville Fire Department, entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$130,000 at an interest rate of 2.7 percent for the acquisition of a fire tanker truck. The term is for ten years with the balance to be paid in full October 20, 2024. During the fiscal year, the fiscal court received \$15,302 in principal and interest payments from the Mackville Fire Department. The fiscal court then paid the debt service payments. In the event of default, the lessor may terminate the lease and give notice to surrender the equipment within 60 days, recover the lease payments which would have otherwise been payable during the lease period, or sell/sublease the equipment for the account of the lessee yet holding the lessee liable for all lease payments that would be due under the lease for which any proceeds of the sale/lease of the equipment does not provide. As of June 30, 2021, the principal balance was \$47,335. Future principal and interest payments are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 13,756	\$ 1,437
2023	14,133	950
2024	14,519	449
2025	4,927	36
Totals	<u>\$ 47,335</u>	<u>\$ 2,872</u>

4. Washington County Fire Department - Pumper Truck

On September 9, 2015, the fiscal court, on behalf of the Washington County Fire Department, entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$100,000 at an interest rate of 3.75 percent for the acquisition of a fire pumper truck. The term is for 72 months with the balance to be paid in full on September 20, 2020. In the event of default, the lessor may terminate the lease and give notice to surrender the equipment within 60 days, recover the lease payments which would have otherwise been payable during the lease period, or sell/sublease the equipment for the account of the lessee yet holding the lessee liable for all lease payments that would be due under the lease for which any proceeds of the sale/lease of the equipment does not provide. The lease was paid in full on September 2, 2020. As of June 30, 2021, the principal balance was \$0.

5. Slope Mower

On September 14, 2018, the Washington County Fiscal Court entered into a lease purchase agreement with U.S. Bancorp Government Leasing and Finance, Inc., for the purchase of a slope mower. The term of the agreement is for five years, at an interest rate of 3.718%. The agreement began on March 14, 2019 and will end on September 14, 2023. In the event of default, the lessor may declare all lease payments to the end of the then-current budget year of lessee to be due, and future payment be subject to a 12% per annum interest rate. The lessor may also terminate the lease and take possession of the equipment. As of June 30, 2021, the principal balance was \$71,537.

WASHINGTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 4. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

5. Slope Mower (Continued)

Future principal and interest payments are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 27,827	\$ 2,403
2023	28,871	1,359
2024	<u>14,839</u>	<u>276</u>
Totals	<u>\$ 71,537</u>	<u>\$ 4,038</u>

B. Other Debt

1. First Mortgage Refunding Revenue Bonds (Justice Center Project) Series 2015

On September 23, 2015, the Washington County Justice Center Corporation (corporation) issued \$6,905,000 of first mortgage refunding revenue bonds. Proceeds from the bonds were used for the purpose of financing (i) the partial advance refunding of certain maturities of the \$11,960,000 Washington County, Kentucky Justice Center Corporation First Mortgage Revenue Bonds (Justice Center Project), Series 2007, (ii) the payment of accrued interest, if any, and (iii) the payment of the cost of issuance incurred with respect to the issuance of the bonds. Principal payments are due annually on October 1, beginning October 1, 2018. Interest payments, at an interest rate of three percent, are payable semi-annually on April 1 and October 1, beginning April 2016. In the event of default, by enforcement of the foreclosable mortgage lien on the project site and improvement granted by the mortgage, and in such event the trustee will take over possession, custody and control of the project and will operate or carry out decretal sale of same with due regard to state and federal law and the covenants contained in the lease for the benefit of the owners of the bonds, or by bringing suit. The outstanding principal balance as of June 30, 2021, is \$4,930,000.

Future principal and interest payments are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 760,000	\$ 136,500
2023	785,000	113,325
2024	805,000	89,475
2025	835,000	64,875
2026	860,000	39,450
2027	<u>885,000</u>	<u>13,275</u>
Totals	<u>\$ 4,930,000</u>	<u>\$ 456,900</u>

WASHINGTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 4. Long-term Debt (Continued)

C. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2021, was as follows:

	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>One Year</u>
Direct Borrowings and Direct Placements	\$ 687,572	\$	\$ 287,070	\$ 400,502	\$ 87,363
Other Debt	5,670,000		740,000	4,930,000	760,000
Total Long-term Debt	<u>\$ 6,357,572</u>	<u>\$ 0</u>	<u>\$ 1,027,070</u>	<u>\$ 5,330,502</u>	<u>\$ 847,363</u>

D. Aggregate Debt Schedule

The amount of required principal and interest payments on long-term obligations at June 30, 2021, were as follows:

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Other Debt</u>		<u>Direct Borrowings and</u> <u>Direct Placements</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 760,000	\$ 136,500	\$ 87,363	\$ 12,898
2023	785,000	113,325	94,308	9,748
2024	805,000	89,475	82,472	6,353
2025	835,000	64,875	59,945	3,761
2026	860,000	39,450	56,975	1,768
2027	885,000	13,275	19,439	142
Totals	<u>\$ 4,930,000</u>	<u>\$ 456,900</u>	<u>\$ 400,502</u>	<u>\$ 34,670</u>

Note 5. 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. Effective April 1, 2021, the Kentucky Retirement Systems as an agency of the Commonwealth is now known as the Kentucky Public Pensions Authority (KPPA). The governance of CERS has been transferred to a separate 9-member board of trustees that is responsible for the governance of the CERS pension and insurance plans.

The county's contribution for FY 2019 was \$447,307, FY 2020 was \$511,653, and FY 2021 was \$546,771.

WASHINGTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 5. Employee Retirement System (Continued)

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.

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.

WASHINGTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 5. Employee Retirement System (Continued)

Hazardous (Continued)

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:

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

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

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

Benefits are covered under KRS 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.

WASHINGTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 5. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

B. Health Insurance Coverage - Tier 2 and Tier 3 - Nonhazardous (Continued)

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.

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, KPPA will pay a \$5,000 death benefit payment to the beneficiary designated by the member specifically for this benefit. Members with multiple accounts are entitled to only one death benefit.

WASHINGTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 5. Employee Retirement System (Continued)

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 Public Pensions Authority, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

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

Note 6. Deferred Compensation

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

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

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

Note 7. Health Reimbursement Account/Flexible Spending Account

The Washington County Fiscal Court established a flexible spending account on June 4, 2010, 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 \$1,500 each year to pay for qualified medical expenses. The health reimbursement account provides a debit card to each eligible employee onto which the employee can contribute pre-tax funds through payroll deduction.

Note 8. Insurance

For the fiscal year ended June 30, 2021, the Washington 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.

WASHINGTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 9. Payroll Revolving Account

The reconciled balance of the payroll revolving account, \$14,115, as of June 30, 2021, was added to the general fund cash balance for financial reporting purposes.

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

For The Year Ended June 30, 2021

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WASHINGTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2021

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 2,611,000	\$ 2,651,179	\$ 2,950,816	\$ 299,637
Excess Fees	32,480	170,880	177,004	6,124
Licenses and Permits	42,075	42,075	54,401	12,326
Intergovernmental	298,620	323,937	956,848	632,911
Charges for Services	514,500	514,500	542,777	28,277
Miscellaneous	160,948	175,948	200,222	24,274
Interest	2,810	2,810	3,253	443
Total Receipts	<u>3,662,433</u>	<u>3,881,329</u>	<u>4,885,321</u>	<u>1,003,992</u>
DISBURSEMENTS				
General Government	1,202,482	1,253,107	1,132,172	120,935
Protection to Persons and Property	1,235,780	1,271,180	997,119	274,061
General Health and Sanitation	336,820	428,920	352,767	76,153
Social Services	14,000	24,025	17,283	6,742
Recreation and Culture	22,760	26,060	13,838	12,222
Bus Services	21,100	21,100	21,060	40
Debt Service	68,298	69,798	69,572	226
Administration	1,074,215	1,606,642	906,792	699,850
Total Disbursements	<u>3,975,455</u>	<u>4,700,832</u>	<u>3,510,603</u>	<u>1,190,229</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(313,022)</u>	<u>(819,503)</u>	<u>1,374,718</u>	<u>2,194,221</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(500,978)</u>	<u>(525,978)</u>	<u>(525,978)</u>	
Total Other Adjustments to Cash (Uses)	<u>(500,978)</u>	<u>(525,978)</u>	<u>(525,978)</u>	
Net Change in Fund Balance	(814,000)	(1,345,481)	848,740	2,194,221
Fund Balance - Beginning	<u>814,000</u>	<u>1,320,481</u>	<u>1,331,001</u>	<u>10,520</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (25,000)</u>	<u>\$ 2,179,741</u>	<u>\$ 2,204,741</u>

WASHINGTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2021
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,354,660	\$ 1,621,118	\$ 1,694,709	\$ 73,591
Miscellaneous	9,500	9,500	293,458	283,958
Interest	145	145	135	(10)
Total Receipts	<u>1,364,305</u>	<u>1,630,763</u>	<u>1,988,302</u>	<u>357,539</u>
DISBURSEMENTS				
Social Services	850	850	385	465
Transportation Facilities and Services	17,950	21,950	20,352	1,598
Roads	1,212,884	1,366,365	1,246,655	119,710
Debt Service	94,820	243,220	240,750	2,470
Capital Projects	100,000	222,834	221,841	993
Administration	337,801	438,770	227,685	211,085
Total Disbursements	<u>1,764,305</u>	<u>2,293,989</u>	<u>1,957,668</u>	<u>336,321</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(400,000)</u>	<u>(663,226)</u>	<u>30,634</u>	<u>693,860</u>
Net Change in Fund Balance	(400,000)	(663,226)	30,634	693,860
Fund Balance - Beginning	<u>400,000</u>	<u>663,226</u>	<u>663,227</u>	<u>1</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 693,861</u>	<u>\$ 693,861</u>

WASHINGTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2021
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 77,900	\$ 77,900	\$ 78,621	\$ 721
Miscellaneous	12,500	12,500	920	(11,580)
Interest	10	10	17	7
Total Receipts	<u>90,410</u>	<u>90,410</u>	<u>79,558</u>	<u>(10,852)</u>
DISBURSEMENTS				
Protection to Persons and Property	551,172	598,592	587,931	10,661
Administration	54,216	49,380	44,112	5,268
Total Disbursements	<u>605,388</u>	<u>647,972</u>	<u>632,043</u>	<u>15,929</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(514,978)</u>	<u>(557,562)</u>	<u>(552,485)</u>	<u>5,077</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	500,978	525,978	525,978	
Total Other Adjustments to Cash (Uses)	<u>500,978</u>	<u>525,978</u>	<u>525,978</u>	
Net Change in Fund Balance	(14,000)	(31,584)	(26,507)	5,077
Fund Balance - Beginning	<u>14,000</u>	<u>56,584</u>	<u>56,582</u>	<u>(2)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 25,000</u>	<u>\$ 30,075</u>	<u>\$ 5,075</u>

WASHINGTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2021
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
DISBURSEMENTS				
Roads	\$ 21,900	\$ 38,006	\$ 18,309	\$ 19,697
Administration	100	100	48	52
Total Disbursements	<u>22,000</u>	<u>38,106</u>	<u>18,357</u>	<u>19,749</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(22,000)</u>	<u>(38,106)</u>	<u>(18,357)</u>	<u>19,749</u>
Net Change in Fund Balance	(22,000)	(38,106)	(18,357)	19,749
Fund Balance - Beginning	<u>22,000</u>	<u>38,106</u>	<u>38,105</u>	<u>(1)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 19,748</u>	<u>\$ 19,748</u>

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

June 30, 2021

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.

Note 2. Reconciliation of the General Fund

Reconciliation of the General Fund:

Fund Balance - Budgetary Basis	\$ 2,179,741
Adjustment for payroll revolving account balance	<u>5,082</u>
Total Fund Balance - Regulatory Basis	<u>\$ 2,184,823</u>

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

For The Year Ended June 30, 2021

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WASHINGTON COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2021

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land Improvements	\$ 228,086	\$	\$	\$ 228,086
Buildings and Improvements	12,985,477			12,985,477
Machinery and Equipment	2,139,357			2,139,357
Office Furniture and Equipment	164,744			164,744
Vehicles	1,925,689	98,672	35,600	1,988,761
Infrastructure	12,714,223	828,649		13,542,872
 Total Capital Assets	 <u>\$ 30,157,576</u>	 <u>\$ 927,321</u>	 <u>\$ 35,600</u>	 <u>\$ 31,049,297</u>

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

June 30, 2021

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	10-60
Buildings and Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 10,000	3-25
Office Furniture and Equipment	\$ 2,500	2-10
Vehicles	\$ 10,000	3-25
Infrastructure	\$ 15,000	10-50

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Timothy E. Graves, Washington County Judge/Executive
Members of the Washington County Fiscal Court

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

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Washington County Fiscal Court for the fiscal year ended June 30, 2021, and the related notes to the financial statement which collectively comprise the Washington County Fiscal Court's financial statement and have issued our report thereon dated December 14, 2021.

Internal Control Over Financial Reporting

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

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. *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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified a certain deficiency in internal control, which is described in the accompanying Schedule of Findings and Responses that we consider to be a significant deficiency as item 2021-001.



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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Washington 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Views of Responsible Officials and Planned Corrective Action

Washington County's views and planned corrective action for the finding identified in our audit is included in the accompanying Schedule of Findings and Responses. The county's response was not subject to the auditing procedures applied in the audit of the financial statement, and accordingly, we express no opinion on them.

Purpose of this Report

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

Respectfully submitted,

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

Mike Harmon
Auditor of Public Accounts

December 14, 2021

**WASHINGTON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2021

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**WASHINGTON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2021

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY:

2021-001 The Washington County Fiscal Court Does Not Reconcile The Payroll Revolving Accounts

The Washington County Fiscal Court does not reconcile the payroll withholding revolving account, or payroll revolving accounts for each fund, to a zero balance on a monthly basis. The reconciled balance remaining in the accounts at June 30, 2021, are as follows:

- Payroll Withholding Revolving Account - \$14,115
- General Fund Payroll Revolving Account - \$74,888
- Road Fund Payroll Revolving Account - \$29,813
- Jail Fund Payroll Revolving Account - \$9,911

A payroll revolving account was set up for each fund (general, road, and jail) in order to transfer the total for net payroll and taxes. A large amount is transferred from the respective fund to the payroll revolving account several times a month to cover payroll. It was also noted that the payroll withholding revolving account reconciled balance was not added to the general fund bank balance on the fourth quarter report.

Due to lack of monitoring, the payroll revolving accounts are not reconciled to zero on a monthly basis and the reconciled balance for the payroll withholding revolving account was not recorded in the general fund bank balance on the quarterly report.

The payroll revolving accounts are not reconciled to zero on a monthly basis due to the amount being transferred from the respective fund being an estimated amount for payroll expenses, rather than an exact amount based on reports generated from the payroll processing company after payroll is prepared. This causes a significant amount remaining in the revolving accounts on a monthly basis, which should be reported on the quarterly report in the bank balance for the respective fund.

Good accounting practices and good internal control policies indicate that the payroll revolving accounts be reconciled to a zero balance on a monthly basis to ensure that the amount being transferred to the payroll revolving account is the amount being deducted to avoid significant balances remaining in the revolving accounts. We recommend the amount being transferred to the payroll revolving accounts agree to the amount being disbursed based on payroll reports, and the accounts should reconcile to a zero balance each month.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Washington County has payroll accounts for general, road, and jail funds. These were all set up so as not to have to move monies constantly from their regular accounts to cover payroll.

Washington County's payroll is pulled from the General Fund Payroll account by [vendor name redacted] for direct deposits to employee accounts and to pay all taxes.

At the end of each month the General Fund Payroll account is reimbursed from the Road Fund Payroll and Jail Fund Payroll accounts for their respective categories.

The Withholding/Revolving account is where all deductions from payroll (excluding taxes) are placed. It is also the account where retirement, deferred compensation, credit union, and other optional insurances are paid. Monies are pulled for health claims and reimbursed approximately once each week.

Will work on having a lower balance in each account.

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

WASHINGTON COUNTY FISCAL COURT

For The Year Ended June 30, 2021

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CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
WASHINGTON COUNTY FISCAL COURT

For The Year Ended June 30, 2021

The Washington County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



County Judge/Executive



County Treasurer