

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

**For The Year Ended
June 30, 2022**



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

Independent Auditor's Report

To the People of Kentucky

The Honorable Andy Beshear, Governor

Holly M. Johnson, Secretary

Finance and Administration Cabinet

The Honorable Craig Z. Clymer, McCracken County Judge/Executive

Members of the McCracken County Fiscal Court

Report on the Audit of the Financial Statement

Opinions

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances – Regulatory Basis of the McCracken County Fiscal Court, for the year ended June 30, 2022, 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.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompany financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and changes in fund balances – regulatory basis of the McCracken County Fiscal Court, for the year ended June 30, 2022, in accordance with accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the McCracken County Fiscal Court, for the year ended June 30, 2022, or the changes in financial position and cash flows thereof for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Fiscal Court Audit Guide* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of McCracken County Fiscal Court and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



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

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

As described in Note 1 of the financial statement, the financial statement is prepared by the 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 and pervasive.

Responsibilities of Management for the Financial Statement

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

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the McCracken County Fiscal Court's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the McCracken County Fiscal Court's ability to continue as a going concern for a reasonable period of time.

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

Auditor's Responsibilities for the Audit of the Financial Statement (Continued)

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the McCracken County Fiscal Court. The Budgetary Comparison Schedules are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

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

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2022, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the McCracken County Fiscal Court's internal control over financial reporting and compliance.

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

Other Reporting Required by *Government Auditing Standards* (Continued)

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

2022-001 The McCracken County Fiscal Court Failed To Implement Internal Controls Over Disbursements

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
Frankfort, Ky

November 29, 2022

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

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

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

For The Year Ended June 30, 2022

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

For The Year Ended June 30, 2022

	Budgeted Funds			
	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund
RECEIPTS				
Taxes	\$ 19,952,622	\$	\$	\$
In Lieu Tax Payments	926,467			
Licenses and Permits	602,065			
Intergovernmental	3,751,362	1,945,891	3,121,334	199,128
Charges for Services	59,005		62,287	
Miscellaneous	610,334	14,412	297,839	
Interest	84,769			
Total Receipts	<u>25,986,624</u>	<u>1,960,303</u>	<u>3,481,460</u>	<u>199,128</u>
DISBURSEMENTS				
General Government	4,404,780			
Protection to Persons and Property	1,030,634		5,358,374	
General Health and Sanitation	424,071			
Social Services	42,748			150,000
Recreation and Culture	332,600			
Roads		2,791,094		
Airports	157,400			
Debt Service				
Capital Projects		3,972		
Administration	2,781,828	675,470	2,092,527	
Total Disbursements	<u>9,174,061</u>	<u>3,470,536</u>	<u>7,450,901</u>	<u>150,000</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>16,812,563</u>	<u>(1,510,233)</u>	<u>(3,969,441)</u>	<u>49,128</u>
Other Adjustments to Cash (Uses)				
Bond Proceeds				
Net Bond Premium				
Transfers From Other Funds	530	1,505,000	4,085,000	
Transfers To Other Funds	(11,233,000)			
Total Other Adjustments to Cash (Uses)	<u>(11,232,470)</u>	<u>1,505,000</u>	<u>4,085,000</u>	
Net Change in Fund Balance	5,580,093	(5,233)	115,559	49,128
Fund Balance - Beginning (Restated)	7,497,455	87,380	237,187	302,188
Fund Balance - Ending	<u>\$ 13,077,548</u>	<u>\$ 82,147</u>	<u>\$ 352,746</u>	<u>\$ 351,316</u>
Composition of Fund Balance				
Bank Balance	\$ 13,187,950	\$ 668,349	\$ 422,198	\$ 351,316
Less: Outstanding Checks	(110,402)	(586,202)	(69,452)	
Fund Balance - Ending	<u>\$ 13,077,548</u>	<u>\$ 82,147</u>	<u>\$ 352,746</u>	<u>\$ 351,316</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, 2022
(Continued)

Budgeted Funds						
State Grants Fund	Federal Grants Fund	Sheriff Fund	Economic Assistance Fund	Juvenile Justice Fund	Unclaimed Revenue Fund	Transient Room Tax Fund
\$	\$	\$	\$	\$	\$	\$ 4,420,188
7,500	1,964	2,255,194				
		105,258	143,630		1,454	624
<u>7,500</u>	<u>1,964</u>	<u>2,360,452</u>	<u>143,630</u>		<u>1,454</u>	<u>4,420,812</u>
		3,947,437	87,608			
4,435	1,964					3,491,530
						654,429
		2,204,506				
<u>4,435</u>	<u>1,964</u>	<u>6,151,943</u>	<u>87,608</u>			<u>4,145,959</u>
3,065		(3,791,491)	56,022		1,454	274,853
		3,715,000			(530)	
		<u>3,715,000</u>			<u>(530)</u>	
3,065		(76,491)	56,022		924	274,853
<u>40,448</u>	<u>2,951,419</u>	<u>252,156</u>	<u>2,092,474</u>		<u>530</u>	<u>852,989</u>
<u>\$ 43,513</u>	<u>\$ 2,951,419</u>	<u>\$ 175,665</u>	<u>\$ 2,148,496</u>	<u>\$ 0</u>	<u>\$ 1,454</u>	<u>\$ 1,127,842</u>
\$ 43,513	\$ 2,951,419	\$ 187,533	\$ 2,148,496	\$	\$ 1,454	\$ 1,127,842
		(11,868)				
<u>\$ 43,513</u>	<u>\$ 2,951,419</u>	<u>\$ 175,665</u>	<u>\$ 2,148,496</u>	<u>\$ 0</u>	<u>\$ 1,454</u>	<u>\$ 1,127,842</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, 2022
(Continued)

	Budgeted Funds			Unbudgeted Fund	Total Funds
	Department of Justice Forfeiture Fund	American Recovery Plan Act Fund	Debt Service Fund	Jail Commissary Fund	
RECEIPTS					
Taxes	\$	\$	\$	\$	\$ 24,372,810
In Lieu Tax Payments					926,467
Licenses and Permits					602,065
Intergovernmental		6,353,340			17,635,713
Charges for Services					121,292
Miscellaneous	63,907		909,891	551,927	2,698,652
Interest		12,330	16	238	97,977
Total Receipts	63,907	6,365,670	909,907	552,165	46,454,976
DISBURSEMENTS					
General Government	63,907				8,503,732
Protection to Persons and Property					6,389,008
General Health and Sanitation					424,071
Social Services					199,147
Recreation and Culture				492,680	4,316,810
Roads					2,791,094
Airports					157,400
Debt Service			8,685,547		9,339,976
Capital Projects					3,972
Administration			1,100		7,755,431
Total Disbursements	63,907		8,686,647	492,680	39,880,641
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		6,365,670	(7,776,740)	59,485	6,574,335
Other Adjustments to Cash (Uses)					
Bond Proceeds			4,970,000		4,970,000
Net Bond Premium			726,549		726,549
Transfers From Other Funds			1,928,000		11,233,530
Transfers To Other Funds					(11,233,530)
Total Other Adjustments to Cash (Uses)			7,624,549		5,696,549
Net Change in Fund Balance		6,365,670	(152,191)	59,485	12,270,884
Fund Balance - Beginning (Restated)		6,353,340	279,448	438,194	21,385,208
Fund Balance - Ending	\$ 0	\$ 12,719,010	\$ 127,257	\$ 497,679	\$ 33,656,092
Composition of Fund Balance					
Bank Balance	\$	\$ 12,719,010	\$ 127,257	\$ 498,313	\$ 34,434,650
Less: Outstanding Checks				(634)	(778,558)
Fund Balance - Ending	\$ 0	\$ 12,719,010	\$ 127,257	\$ 497,679	\$ 33,656,092

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, 2022

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 for and on behalf of, and as the agency and instrumentality of the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

B. Basis of Accounting

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

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

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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

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

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

Federal Grants 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.

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

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

Department of Justice Forfeiture Fund - The primary purpose of this fund is to account for asset forfeitures resulting from federal criminal cases.

American Recovery Plan Act Fund - The primary purpose of this fund is to account for funds received from the U.S. Department of Treasury.

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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

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

D. Budgetary Information

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

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments

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

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

G. Long-term Obligations

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

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
 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
 McCracken County Conservation District

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

H. Related Obligations and Joint Ventures (Continued)

Greater Paducah Economic Development
 McCracken and Paducah Geographic Information Systems
 Paducah-McCracken County 911
 Paducah-McCracken County 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.

Custodial Credit Risk - Deposits

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

Note 3. Transfers

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

	General Fund	Unclaimed Revenue Fund	Total Transfers In
General Fund	\$	\$ 530	\$ 530
Road Fund	1,505,000		1,505,000
Jail Fund	4,085,000		4,085,000
Sheriff Fund	3,715,000		3,715,000
Debt Service Fund	1,928,000		1,928,000
Total Transfers Out	<u>\$ 11,233,000</u>	<u>\$ 530</u>	<u>\$ 11,233,530</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.

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

Note 4. Custodial Funds

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

The fiscal court has the following custodial fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2022 was \$305,212.

Note 5. Receivables

The McCracken County Fiscal Court has receivables due on June 30, 2022, as follows:

A. General Obligation Bonds, Series 2022A – Murray State Project

On January 5, 2022, McCracken County issued \$4,970,000 in general obligation bonds, series 2022A, for the purpose of (i) refunding the county's outstanding general obligation bonds, series 2011 (prior bonds) in advance of maturity, (ii) paying all or a portion of the costs of credit enhancement for the bonds, if any, and (iii) paying all or a portion of the costs of issuance of the bonds. The proceeds of the prior bonds were used (a) to pay the costs of financing the acquisition, construction, installation and equipping of an educational building and associated streets, parking lots, utilities, and infrastructure, and (b) paying costs of issuance of the prior bonds. On November 24, 2021, a mutual covenant was formed between McCracken County (county), the City of Paducah (city), and Murray State University (MSU). Per the covenant, the city issued and delivered a general obligation note to the county on the date the county issued the bonds. Per the note, the city has agreed to pay as and when due an amount not to exceed \$161,426 annually of the debt service on the bonds. It is the responsibility of MSU to make a renewable lease payment to the county, as they may allocate towards the debt service, projected payment to be no more than \$145,683 per year. As of June 30, 2022, the debt service requirements have been met.

B. 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 six-year and eleven-year repayment terms. The fiscal court received \$5,000 during the current year. As of June 30, 2022, the remaining balance was \$17,967.

Note 6. Leases

A. Lessor

1. Court Facilities Office Space

On July 1, 2021, McCracken County began leasing office space to the Administrative Office of the Courts (AOC). The lease is for a one-year term, and McCracken County will receive quarterly payments in the amount of \$50,810. McCracken County recognized \$196,425 in lease revenue during the current fiscal year.

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

Note 6. Leases (Continued)

A. Lessor (Continued)

2. Commonwealth Attorney Office Space

On July 1, 2021, McCracken County began leasing office space to the Commonwealth Attorney's Office. The lease is for a one-year term, and McCracken County will receive quarterly payments in the amount of \$8,917. McCracken County recognized \$35,667 in lease revenue during the current fiscal year.

3. TeleTech Office Building

On October 1, 2019, McCracken County began leasing an office building to TeleTech Services Corporation. The lease is for a five-year term, and McCracken County will receive monthly payments in the amount of \$9,143. McCracken County recognized \$109,720 in lease revenue during the current fiscal year.

4. Bryant Law Office Space

On March 1, 2020, McCracken County began leasing office space to Bryant Law Center. The lease is for a five-year term, and McCracken County will receive monthly payments in the amount of \$850 for the first 24 months, then \$900 for the remaining 36 months. McCracken County recognized \$10,400 in lease revenue during the current fiscal year.

5. Pine Bluff Dredging

On May 11, 2021, McCracken County began leasing a dredging license to Pine Bluff Materials, Co., LLC. The lease is for a five-year term, and McCracken County will receive monthly payments in the amount of \$1,000. McCracken County recognized \$12,000 in lease revenue during the current fiscal year.

6. Cell Tower

On September 14, 1996, McCracken County began leasing land containing a cell tower to Crown Castle. The lease is for a 20-year term with the option to renew for up to two additional terms of five years each. McCracken County will receive an annual payment in the amount of \$8,201. McCracken County recognized \$8,201 in lease revenue during the current fiscal year.

B. Lessee

1. Postage Machine

On June 19, 2017, McCracken County entered into a five-year lease agreement with Pitney Bowes for the acquisition and use of a postage machine. A lease liability was recorded in the amount of \$4,491 during the current fiscal year, which is a quarterly payment of \$1,123. As of June 30, 2022, the value of the lease had been satisfied for the current fiscal year.

2. Jail Copiers

On March 15, 2017, McCracken County entered into a five-year lease agreement with Xerox for the acquisition and use of copiers. A lease liability was recorded in the amount of \$4,347, which is a monthly base payment of \$362 plus charges for use of color and/or black and white printing. As of June 30, 2022, the value of the lease had been satisfied for the current fiscal year.

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

Note 6. Leases (Continued)

B. Lessee (Continued)

3. Sheriff Office Equipment

On March 12, 2019, McCracken County entered into a five-year lease agreement with Great America Financial for the acquisition and use of office equipment. A lease liability was recorded in the amount of \$1,667 during the current fiscal year, which is a monthly payment of \$139. As of June 30, 2022, the value of the lease had been satisfied for the current fiscal year. The outstanding balance of the lease is \$3,334.

Fiscal Year Ended June 30	Amount
2023	\$ 1,667
2024	1,667
	<u>\$ 3,334</u>

4. Digital Mailing System

On April 24, 2018, McCracken County entered into a five-year lease agreement with Pitney Bowes for the acquisition and use of a digital mailing system. A lease liability was recorded in the amount of \$2,563 during the current fiscal year, which is a quarterly payment of \$641. As of June 30, 2022, the value of the lease had been satisfied for the current fiscal year. The outstanding balance of the lease is \$2,563.

Fiscal Year Ended June 30	Amount
2023	\$ 2,563
	<u>\$ 2,563</u>

5. Copiers for County Clerk's Office

On December 12, 2018, McCracken County entered into a five-year lease agreement with Xerox for the acquisition and use of copiers. A lease liability was recorded in the amount of \$8,641, which is a monthly payment of \$720. As of June 30, 2022, the value of the lease had been satisfied for the current fiscal year. The outstanding balance of the lease is \$12,961.

Fiscal Year Ended June 30	Amount
2023	\$ 8,641
2024	4,320
	<u>\$ 12,961</u>

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

Note 6. Leases (Continued)

B. Lessee (Continued)

6. Jail Office Equipment

On April 1, 2022, McCracken County entered into a five-year lease agreement with Great America Financial for the acquisition and use of office equipment. A lease liability was recorded in the amount of \$384, which was the first payment made. As of June 30, 2022, the value of the lease has been satisfied for the current fiscal year. The outstanding balance of the lease is \$22,648.

Fiscal Year Ended June 30	Amount
2023	\$ 4,606
2024	4,606
2025	4,606
2026	4,607
2027	4,223
	<u>\$ 22,648</u>

Note 7. Long-term Debt

A. Direct Borrowings and Direct Placements

1. US 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 to reduce operating costs associated with energy efficiency. In the event of default, the lessor may declare all lease payments due and amounts shall therefore bear interest at the rate of 12% per annum. The lessor may enter the premises where property subject to the property schedule is located and retake possession of the property. The lessor may liquidate the property with the proceeds paying off any outstanding principal, interest, or expenses associated with the property. The maturity date of the obligation is January 1, 2032. As of June 30, 2022, outstanding bond principal was \$2,235,835. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2023	\$ 202,313	\$ 47,863
2024	206,767	43,408
2025	211,320	38,855
2026	215,974	34,202
2027	220,730	29,446
2028-2032	<u>1,178,731</u>	<u>72,148</u>
Totals	<u>\$ 2,235,835</u>	<u>\$ 265,922</u>

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

Note 7. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

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, in order to provide savings for the county. The maturity date of the obligation is January 1, 2029. Upon the occurrence of an event of default, and as long as the event of default is continuing, lessor may, at its option, exercise any one or more of the following remedies as to the project, to whichever event of default pertains. The lessor may by appropriate court action, enforce the pledge set forth in the ordinance, so that the remaining lease term is levied on all the taxable property in the city, in addition to all other taxes, without limitation as to rate, a direct tax annually in an amount sufficient to pay the lease payments when and as due. The lessor may lease the project or sublease it, holding lessee liable for all lease payments and other payments due during the remaining lease terms. As of June 30, 2022, outstanding principal was \$3,550,908. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2023	\$ 680,684	\$ 94,300
2024	696,293	74,262
2025	710,575	53,821
2026	539,919	34,059
2027	362,567	22,051
2028-2029	560,870	12,919
Totals	<u>\$ 3,550,908</u>	<u>\$ 291,412</u>

3. Bond Anticipation Note, Series N-1 – Convention Center Sport Surfaces

On August 7, 2020, the McCracken County Fiscal Court issued a general obligation bond anticipation note in the amount of \$660,000. The note was authorized for the purpose of financing the acquisition, construction, installation and equipping of four full-size portable court/sport surfaces for use at the Paducah-McCracken County Convention Center. The note has an interest rate of .98 percent, and principal and interest payments are to be made semi-annually beginning January 1, 2021. Upon an event of default, and subject to a 30-day cure period after written notice by the bank to the borrower, the bank may pursue any remedy at law or in equity including but not limited to: enforcement of the obligation through court order, collection and enforcement procedures allowed by state law, and any other remedies available to the bank. The maturity date of the lease is July 1, 2022. As of June 30, 2022, this lease had been paid in full.

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

Note 7. Long-term Debt (Continued)

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 one percent to 3.50 percent and mature beginning in December 2012 through December 2031. The basic security for the general obligation debt of the county including the bonds is the county's ability to levy, and is pledged to levy, an annual tax to pay the interest on and principal of the bonds as and when the same become due and payable. The constitution of the state mandates the collection of a tax sufficient to pay the interest of an authorized indebtedness and the creation of a sinking fund for the payment of the principal thereof. As of June 30, 2022, these bonds had been refunded.

2. General Obligation Refunding Bonds, Series 2022A

On January 5, 2022, the fiscal court issued McCracken County, Kentucky General Obligation Refunding Bonds, Series 2022A. The bonds totaled \$4,970,000, and the proceeds will be used for the purpose of (i) refunding the county's outstanding general obligation bonds, series 2011 (prior bonds) in advance of maturity, (ii) paying all or a portion of the costs of credit enhancement for the bonds, if any, and (iii) paying all or a portion of the costs of issuance of the bonds. The bonds, which are dated January 5, 2022, have interest rates of 4 percent and mature beginning in December 2022 through December 2031. The basic security for the bonds is the county's ability to levy an annual tax to pay the interest on and principal of the bonds as when the same become due and payable. The constitution of the state mandates the collection of a tax sufficient to pay the interest on an authorized indebtedness and the creation of a sinking fund for the payment of the principal thereof.

A mutual covenant was formed by McCracken County Fiscal Court, the City of Paducah, and Murray State University. See Note 5.A. for the receivable. The balance of the bonds as of June 30, 2022 was \$4,970,000. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2023	\$ 415,000	\$ 190,500
2024	425,000	173,700
2025	445,000	156,300
2026	465,000	138,100
2027	485,000	119,100
2028-2032	2,735,000	282,300
Totals	<u>\$ 4,970,000</u>	<u>\$ 1,060,000</u>

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

Note 7. Long-term Debt (Continued)

B. Other Debt (Continued)

3. 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 one percent to five percent and mature beginning in December 2013 through December 2032. The basic security for the general obligation debt of the county including the bonds is the county's ability to levy, and is pledged to levy, an annual tax to pay the interest on and principal of the bonds as and when the same become due and payable. The constitution of the state mandates the collection of a tax sufficient to pay the interest of an authorized indebtedness and the creation of a sinking fund for the payment of the principal thereof. The balance on these bonds as of June 30, 2022, was \$900,000. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2023	\$ 65,000	\$ 40,756
2024	65,000	38,400
2025	70,000	35,700
2026	70,000	32,900
2027	75,000	29,625
2028-2032	450,000	85,000
2033	105,000	2,625
Totals	<u>\$ 900,000</u>	<u>\$ 265,006</u>

4. General Obligation Bonds, Series 2013B (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/a 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 three percent to five 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 basic security for the general obligation debt of the county including the bonds is the county's ability to levy, and is pledged to levy, an annual tax to pay the interest on and principal of the bonds as and when the same become due and payable. The constitution of the state mandates the collection of a tax sufficient to pay the interest of an authorized indebtedness and the creation of a sinking fund for the payment of the principal thereof. The balance of these bonds as of June 30, 2022, was \$1,270,000.

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

Note 7. Long-term Debt (Continued)

B. Other Debt (Continued)

4. General Obligation Bonds, Series 2013B (MACCO Project) (Continued)

Annual debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2023	\$ 250,000	\$ 49,650
2024	255,000	42,075
2025	60,000	36,750
2026	65,000	33,625
2027	65,000	30,375
2028-2032	390,000	96,750
2033-2034	185,000	9,375
Totals	<u>\$ 1,270,000</u>	<u>\$ 298,600</u>

5. 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 one 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 45 days after the written notice thereof by the trustee or by the owners of not less than 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, 2022
(Continued)

Note 7. Long-term Debt (Continued)

B. Other Debt (Continued)

5. 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 bringing 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, 2022, outstanding bond principal was \$925,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2023	\$ 215,000	\$ 25,230
2024	220,000	18,974
2025	230,000	12,109
2026	235,000	4,725
2027	25,000	453
Totals	<u>\$ 925,000</u>	<u>\$ 61,491</u>

6. 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 (the project), which is to be owned by the Paducah-McCracken County Convention Center Corporation (the 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. This note and the issue of which it forms a part is a general obligation of the county and the full faith, credit, and taxing power of the county are pledged to the payments due hereunder. The note is continually secured by the faith, credit, and taxing power of the county. The balance as of June 30, 2022 was \$1,383,156.

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

Note 7. Long-term Debt (Continued)

B. Other Debt (Continued)

6. Julian Carroll Convention Center – City of Paducah (Continued)

Annual debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2023	\$ 24,639	\$ 27,262
2024	25,265	26,771
2025	26,241	26,267
2026	26,071	25,747
2027	203,103	24,348
2028-2032	<u>1,077,837</u>	<u>59,488</u>
Totals	<u>\$ 1,383,156</u>	<u>\$ 189,883</u>

7. Convention Center and Four Rivers Center – City of Paducah

On October 7, 2020, the McCracken County Fiscal Court (county) issued a note payable to the City of Paducah, Kentucky (city) in the amount of \$1,510,000. 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 Paducah (the city) of its General Obligation Refunding Bonds, Series 2020B (the city bonds) being issued to refinance the costs of the project.

The note has an interest rate not to exceed 3 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, 2022, was \$1,025,000. Annual debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2023	\$ 245,000	\$ 30,750
2024	252,500	23,400
2025	260,000	15,825
2026	<u>267,500</u>	<u>8,025</u>
Totals	<u>\$ 1,025,000</u>	<u>\$ 78,000</u>

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

Note 7. Long-term Debt (Continued)

C. Changes In Long-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 7,308,949	\$	\$1,522,206	\$ 5,786,743	\$ 882,997
General Obligation Bonds	8,545,000	4,970,000	6,375,000	7,140,000	730,000
Revenue Bonds	1,140,000		215,000	925,000	215,000
Notes Payable	2,669,814		261,658	2,408,156	269,639
Total Long-term Debt	<u>\$ 19,663,763</u>	<u>\$ 4,970,000</u>	<u>\$ 8,373,864</u>	<u>\$16,259,899</u>	<u>\$ 2,097,636</u>

D. Aggregate Debt Schedule

The amount of required principal and interest payments on long-term obligations at June 30, 2022, were as follows:

Fiscal Year Ended June 30	Other Debt		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2023	\$ 1,214,639	\$ 364,149	\$ 882,997	\$ 142,163
2024	1,242,765	323,320	903,060	117,670
2025	1,091,241	282,950	921,896	92,676
2026	1,128,571	243,122	755,893	68,261
2027	853,103	203,901	583,296	51,497
2028-2032	4,652,837	523,538	1,739,601	85,067
2033-2034	290,000	12,000		
Totals	<u>\$ 10,473,156</u>	<u>\$ 1,952,980</u>	<u>\$ 5,786,743</u>	<u>\$ 557,334</u>

Note 8. Commitments and 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.

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

Note 9. Employee Retirement System

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

The county's contribution for FY 2020 was \$2,630,471, FY 2021 was \$2,772,868, and FY 2022 was \$3,362,890.

Nonhazardous

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

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own accounts. Nonhazardous covered employees contribute 5 percent of their annual creditable compensation. Nonhazardous members also contribute 1 percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Ky. Ret. Sys. Board of Directors based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4 percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008, must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

The county's contribution rate for nonhazardous employees was 26.95 percent.

Hazardous

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

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

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

Note 9. Employee Retirement System (Continued)

Hazardous (Continued)

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

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

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

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

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

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

Benefits are covered under KRS 78.5536.

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

Note 9. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

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

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

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

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

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

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

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

D. Cost of Living Adjustments - Tier 1

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

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

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

F. Death Benefit

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

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

Note 9. Employee Retirement System (Continued)

Ky. Ret. Sys. Annual Financial Report and Proportionate Share Audit Report

Ky. Ret. Sys. issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Public Pensions Authority, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

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

Note 10. Deferred Compensation

In November 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.

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

Note 11. 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, 2022, was \$33,897.

Note 12. Insurance

For the fiscal year ended June 30, 2022, 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.

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

Note 13. Landfill Closure and Post-Closure Costs

The county landfill closed to the public on June 30, 1995. 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. The 30-year period will begin upon approval from the Commonwealth of Kentucky regarding the environmental condition of the landfill site. As of June 30, 2022, final approval of the closure had not yet been granted. Closure costs for the fiscal year ended June 30, 2022 were \$4,186.

Estimated post-closure care costs total \$4,125,000 or \$125,000 per year plus 10 percent for inflation. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

McCracken County prepares required financial statements on the regulatory basis of accounting in accordance with the laws of Kentucky, therefore, no liability has been recognized for the closure or post-closure care costs. State and federal laws and regulations require for the fiscal court to provide financial assurance that landfill closure and post-closure care costs are properly funded. In order to meet financial assurance requirements, the fiscal court entered into an inter-local agreement with the City of Paducah, Kentucky to share equally the post-closure costs incurred during the fiscal year.

Note 14. Related Party Transactions

A county commissioner owns the ATM machines that are located in the courthouse. During fiscal year 2022, the commissioner paid the county \$159 in ATM fees.

Note 15. Prior Period Adjustment

	General Fund
Ending Fund Balance Prior Year	\$ 7,496,180
Adjustment:	
Prior Year Voided Checks	<u>1,275</u>
Beginning Fund Balance - Restated	<u>\$ 7,497,455</u>

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

For The Year Ended June 30, 2022

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MCCRACKEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2022

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 16,205,673	\$ 16,455,204	\$ 19,952,622	\$ 3,497,418
In Lieu Tax Payments	1,026,000	1,026,000	926,467	(99,533)
Licenses and Permits	427,422	555,224	602,065	46,841
Intergovernmental	3,599,854	3,633,228	3,751,362	118,134
Charges for Services	45,000	45,000	59,005	14,005
Miscellaneous	496,300	496,300	610,334	114,034
Interest	40,000	40,000	84,769	44,769
Total Receipts	<u>21,840,249</u>	<u>22,250,956</u>	<u>25,986,624</u>	<u>3,735,668</u>
DISBURSEMENTS				
General Government	4,861,483	4,828,157	4,404,780	423,377
Protection to Persons and Property	1,192,045	1,216,875	1,030,634	186,241
General Health and Sanitation	463,863	468,683	424,071	44,612
Social Services	50,000	50,000	42,748	7,252
Recreation and Culture	852,832	852,832	332,600	520,232
Airports	123,983	157,400	157,400	
Bus Services	11,000	11,000		11,000
Administration	3,790,369	4,037,652	2,781,828	1,255,824
Total Disbursements	<u>11,345,575</u>	<u>11,622,599</u>	<u>9,174,061</u>	<u>2,448,538</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>10,494,674</u>	<u>10,628,357</u>	<u>16,812,563</u>	<u>6,184,206</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			530	530
Transfers To Other Funds	(12,893,394)	(12,893,394)	(11,233,000)	1,660,394
Total Other Adjustments to Cash (Uses)	<u>(12,893,394)</u>	<u>(12,893,394)</u>	<u>(11,232,470)</u>	<u>1,660,924</u>
Net Change in Fund Balance	(2,398,720)	(2,265,037)	5,580,093	7,845,130
Fund Balance - Beginning (Restated)	<u>2,398,720</u>	<u>2,398,720</u>	<u>7,497,455</u>	<u>5,098,735</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 133,683</u>	<u>\$ 13,077,548</u>	<u>\$ 12,943,865</u>

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

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 2,291,058	\$ 2,291,058	\$ 1,945,891	\$ (345,167)
Miscellaneous		5,129	14,412	9,283
Total Receipts	<u>2,291,058</u>	<u>2,296,187</u>	<u>1,960,303</u>	<u>(335,884)</u>
DISBURSEMENTS				
Roads	3,287,863	3,292,992	2,791,094	501,898
Capital Projects	412,423	412,423	3,972	408,451
Administration	740,541	740,541	675,470	65,071
Total Disbursements	<u>4,440,827</u>	<u>4,445,956</u>	<u>3,470,536</u>	<u>975,420</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,149,769)</u>	<u>(2,149,769)</u>	<u>(1,510,233)</u>	<u>639,536</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>2,149,769</u>	<u>2,149,769</u>	<u>1,505,000</u>	<u>(644,769)</u>
Total Other Adjustments to Cash (Uses)	<u>2,149,769</u>	<u>2,149,769</u>	<u>1,505,000</u>	<u>(644,769)</u>
Net Change in Fund Balance			(5,233)	(5,233)
Fund Balance - Beginning			<u>87,380</u>	<u>87,380</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 82,147</u>	<u>\$ 82,147</u>

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

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 3,209,000	\$ 3,209,000	\$ 3,121,334	\$ (87,666)
Charges for Services	100,200	100,200	62,287	(37,913)
Miscellaneous	215,000	222,378	297,839	75,461
Total Receipts	<u>3,524,200</u>	<u>3,531,578</u>	<u>3,481,460</u>	<u>(50,118)</u>
DISBURSEMENTS				
Protection to Persons and Property	5,405,965	5,543,982	5,358,374	185,608
Administration	2,528,676	2,497,570	2,092,527	405,043
Total Disbursements	<u>7,934,641</u>	<u>8,041,552</u>	<u>7,450,901</u>	<u>590,651</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(4,410,441)</u>	<u>(4,509,974)</u>	<u>(3,969,441)</u>	<u>540,533</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	4,410,441	4,410,441	4,085,000	(325,441)
Total Other Adjustments to Cash (Uses)	<u>4,410,441</u>	<u>4,410,441</u>	<u>4,085,000</u>	<u>(325,441)</u>
Net Change in Fund Balance		(99,533)	115,559	215,092
Fund Balance - Beginning			<u>237,187</u>	<u>237,187</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (99,533)</u>	<u>\$ 352,746</u>	<u>\$ 452,279</u>

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

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 199,128	\$ 99,128
Total Receipts	<u>100,000</u>	<u>100,000</u>	<u>199,128</u>	<u>99,128</u>
DISBURSEMENTS				
Social Services		150,000	150,000	
Administration	200,000	50,000		50,000
Total Disbursements	<u>200,000</u>	<u>200,000</u>	<u>150,000</u>	<u>50,000</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(100,000)</u>	<u>(100,000)</u>	<u>49,128</u>	<u>149,128</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	100,000	100,000		(100,000)
Total Other Adjustments to Cash (Uses)	<u>100,000</u>	<u>100,000</u>		<u>(100,000)</u>
Net Change in Fund Balance			49,128	49,128
Fund Balance - Beginning			<u>302,188</u>	<u>302,188</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 351,316</u>	<u>\$ 351,316</u>

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

	STATE GRANTS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 28,075	\$ 28,075	\$ 7,500	\$ (20,575)
Total Receipts	<u>28,075</u>	<u>28,075</u>	<u>7,500</u>	<u>(20,575)</u>
DISBURSEMENTS				
Social Services	28,075	28,075	4,435	23,640
Total Disbursements	<u>28,075</u>	<u>28,075</u>	<u>4,435</u>	<u>23,640</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			<u>3,065</u>	<u>3,065</u>
Net Change in Fund Balance			3,065	3,065
Fund Balance - Beginning			<u>40,448</u>	<u>40,448</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 43,513</u>	<u>\$ 43,513</u>

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

	FEDERAL GRANTS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 148,192	\$ 348,192	\$ 1,964	\$ (346,228)
Total Receipts	<u>148,192</u>	<u>348,192</u>	<u>1,964</u>	<u>(346,228)</u>
DISBURSEMENTS				
Social Services	90,184	290,184	1,964	288,220
Total Disbursements	<u>90,184</u>	<u>290,184</u>	<u>1,964</u>	<u>288,220</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>58,008</u>	<u>58,008</u>		<u>(58,008)</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(58,008)</u>	<u>(58,008)</u>		<u>58,008</u>
Total Other Adjustments to Cash (Uses)	<u>(58,008)</u>	<u>(58,008)</u>		<u>58,008</u>
Net Change in Fund Balance				
Fund Balance - Beginning			<u>2,951,419</u>	<u>2,951,419</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,951,419</u>	<u>\$ 2,951,419</u>

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

	SHERIFF FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 2,119,973	\$ 2,119,973	\$ 2,255,194	\$ 135,221
Miscellaneous		102,822	105,258	2,436
Total Receipts	<u>2,119,973</u>	<u>2,222,795</u>	<u>2,360,452</u>	<u>137,657</u>
DISBURSEMENTS				
General Government	3,790,818	3,970,002	3,947,437	22,565
Administration	2,260,374	2,218,162	2,204,506	13,656
Total Disbursements	<u>6,051,192</u>	<u>6,188,164</u>	<u>6,151,943</u>	<u>36,221</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(3,931,219)</u>	<u>(3,965,369)</u>	<u>(3,791,491)</u>	<u>173,878</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	3,931,219	3,931,219	3,715,000	(216,219)
Total Other Adjustments to Cash (Uses)	<u>3,931,219</u>	<u>3,931,219</u>	<u>3,715,000</u>	<u>(216,219)</u>
Net Change in Fund Balance		(34,150)	(76,491)	(42,341)
Fund Balance - Beginning			<u>252,156</u>	<u>252,156</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (34,150)</u>	<u>\$ 175,665</u>	<u>\$ 209,815</u>

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

ECONOMIC ASSISTANCE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$	\$	\$ 143,630	\$ 143,630
Total Receipts			143,630	143,630
DISBURSEMENTS				
General Government	570,000	570,000	87,608	482,392
Administration	10,000	10,000		10,000
Total Disbursements	580,000	580,000	87,608	492,392
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(580,000)	(580,000)	56,022	636,022
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	580,000	580,000		(580,000)
Total Other Adjustments to Cash (Uses)	580,000	580,000		(580,000)
Net Change in Fund Balance			56,022	56,022
Fund Balance - Beginning			2,092,474	2,092,474
Fund Balance - Ending	\$ 0	\$ 0	\$ 2,148,496	\$ 2,148,496

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

	JUVENILE JUSTICE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
DISBURSEMENTS				
Protection to Persons and Property Administration	\$ 35,000	\$ 35,000	\$	\$ 35,000
	10,000	10,000		10,000
Total Disbursements	<u>45,000</u>	<u>45,000</u>		<u>45,000</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(45,000)</u>	<u>(45,000)</u>		<u>45,000</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	45,000	45,000		(45,000)
Total Other Adjustments to Cash (Uses)	<u>45,000</u>	<u>45,000</u>		<u>(45,000)</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, 2022
(Continued)

UNCLAIMED REVENUE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$	\$	\$ 1,454	\$ 1,454
Total Receipts			1,454	1,454
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			1,454	1,454
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(530)	(530)
Total Other Adjustments to Cash (Uses)			(530)	(530)
Net Change in Fund Balance			924	924
Fund Balance - Beginning			530	530
Fund Balance - Ending	\$	0	\$ 1,454	\$ 1,454

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

TRANSIENT ROOM TAX FUND				
	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 2,675,793	\$ 4,028,847	\$ 4,420,188	\$ 391,341
Interest	1,000	1,000	624	(376)
Total Receipts	<u>2,676,793</u>	<u>4,029,847</u>	<u>4,420,812</u>	<u>390,965</u>
DISBURSEMENTS				
Recreation and Culture	1,920,737	3,491,607	3,491,530	77
Debt Service	402,276	823,744	654,429	169,315
Total Disbursements	<u>2,323,013</u>	<u>4,315,351</u>	<u>4,145,959</u>	<u>169,392</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>353,780</u>	<u>(285,504)</u>	<u>274,853</u>	<u>560,357</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(353,780)</u>	<u>(353,780)</u>		<u>353,780</u>
Total Other Adjustments to Cash (Uses)	<u>(353,780)</u>	<u>(353,780)</u>		<u>353,780</u>
Net Change in Fund Balance		(639,284)	274,853	914,137
Fund Balance - Beginning		<u>639,284</u>	<u>852,989</u>	<u>213,705</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,127,842</u>	<u>\$ 1,127,842</u>

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

DEPARTMENT OF JUSTICE FORFEITURE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$	\$ 63,907	\$ 63,907	\$
Total Receipts		63,907	63,907	
DISBURSEMENTS				
General Government		63,907	63,907	
Total Disbursements		63,907	63,907	
Net Change in Fund Balance				
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 0	\$ 0

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

AMERICAN RECOVERY PLAN ACT FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 6,353,340	\$ 6,353,340	\$ 6,353,340	\$
Interest			12,330	12,330
Total Receipts	<u>6,353,340</u>	<u>6,353,340</u>	<u>6,365,670</u>	<u>12,330</u>
DISBURSEMENTS				
Administration	<u>6,353,340</u>	<u>6,353,340</u>		<u>6,353,340</u>
Total Disbursements	<u>6,353,340</u>	<u>6,353,340</u>		<u>6,353,340</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			<u>6,365,670</u>	<u>6,365,670</u>
Net Change in Fund Balance			6,365,670	6,365,670
Fund Balance - Beginning			<u>6,353,340</u>	<u>6,353,340</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 12,719,010</u>	<u>\$ 12,719,010</u>

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

	DEBT SERVICE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 753,080	\$ 918,080	\$ 909,891	\$ (8,189)
Interest	100	100	16	(84)
Total Receipts	<u>753,180</u>	<u>918,180</u>	<u>909,907</u>	<u>(8,273)</u>
DISBURSEMENTS				
Debt Service	2,340,833	8,701,748	8,685,547	16,201
Administration	501,100	1,734	1,100	634
Total Disbursements	<u>2,841,933</u>	<u>8,703,482</u>	<u>8,686,647</u>	<u>16,835</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,088,753)</u>	<u>(7,785,302)</u>	<u>(7,776,740)</u>	<u>8,562</u>
Other Adjustments to Cash (Uses)				
Bond Proceeds		4,970,000	4,970,000	
Net Bond Premium		726,549	726,549	
Transfers From Other Funds	2,088,753	2,088,753	1,928,000	(160,753)
Total Other Adjustments to Cash (Uses)	<u>2,088,753</u>	<u>7,785,302</u>	<u>7,624,549</u>	<u>(160,753)</u>
Net Change in Fund Balance			(152,191)	(152,191)
Fund Balance - Beginning			<u>279,448</u>	<u>279,448</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 127,257</u>	<u>\$ 127,257</u>

MCCRACKEN COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2022

Note 1. Budgetary Information

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

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

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

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

For The Year Ended June 30, 2022

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MCCRACKEN COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2022

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 2,374,951	\$	\$	\$ 2,374,951
Construction In Progress	312,221	3,973	239,913	76,281
Buildings and Building Improvements	40,578,875	624,751		41,203,626
Vehicles & Equipment	9,544,995	682,774	90,500	10,137,269
Infrastructure	99,498,894	1,152,146		100,651,040
 Total Capital Assets	 <u>\$152,309,936</u>	 <u>\$ 2,463,644</u>	 <u>\$ 330,413</u>	 <u>\$154,443,167</u>

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

June 30, 2022

Note 1. Capital Assets

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

	<u>Capitalization Threshold</u>	<u>Useful Life (Years)</u>
Land Improvements	\$ 20,000	20
Buildings and Building Improvements	\$ 20,000	50
Vehicles & Equipment	\$ 10,000	5-10
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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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the McCracken County Fiscal Court for the fiscal year ended June 30, 2022, 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 November 29, 2022.

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 have not been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 Responses as item 2022-001 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)

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 matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2022-001.

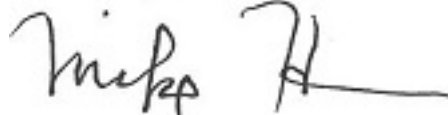
Views of Responsible Officials and Planned Corrective Action

McCracken County's views and planned corrective action for the findings identified in our audit are included in the accompanying Schedule of Findings and Responses. The county's response was not subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we express no opinion on it.

Purpose of this Report

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

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts
Frankfort, Ky

November 29, 2022

**MCCRACKEN COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2022

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**MCCRACKEN COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2022

FINANCIAL STATEMENT FINDING:

2022-001 The McCracken County Fiscal Court Failed To Implement Internal Controls Over Disbursements

This is a repeat finding and was included in the prior year audit report as finding 2021-001. The McCracken County Fiscal Court failed to implement internal controls over disbursements. During our testing of the disbursements of the McCracken County Fiscal Court, we noted the following issues:

- Forty-seven out of 69 disbursements did not have purchase orders.
- Departments of the county utilize fleet cards for fuel purchases. Department heads are instructed to submit approved invoices to the county treasurer and keep the individual fuel receipts on file. However, some departments did not properly maintain itemized fuel receipts.
- Lump sum cell phone stipend payments were paid to seven employees. The cell phone stipend payments totaled \$3,240.
- The county did not follow its own administrative code when reimbursing an employee for a meal. Rather than being paid a per diem for a meal, an employee received a meal reimbursement for the actual price of the meal.
- Two out of 69 disbursements could not be tested for approval by the fiscal court because the voucher claims register was missing.
- One reimbursement was not adequately supported by an itemized receipt.

According to staff, purchase orders are not issued for disbursements less than \$100. Also, purchase orders are not issued for purchases or amounts paid on contracts that have been separately approved by court orders. Furthermore, purchase orders are not issued for medical disbursements because it is not feasible to issue purchase orders for those types of disbursements. Also, according to staff, individuals sometimes make purchases prior to requesting purchase orders. In these instances, the fiscal court will issue payment requests when invoices are received.

According to staff, fuel card disbursements are not reviewed by anyone in the finance office because the fiscal court relies on the individual departments to review the transactions. Also, according to staff, the cell phone stipend is paid to employees who are required to use their personal cell phones for county business. Additionally, the meal was reimbursed to the employee for the actual price of the meal because the employee does not charge the county mileage when traveling in a personal vehicle. The other findings occurred due to oversight.

The issues noted above could result in line-items being over budget, claims being paid which are not valid obligations of the fiscal court, inaccurate reporting, and misappropriation of assets.

KRS 68.210 gives the state local finance officer the authority to prescribe a system of uniform accounts. The Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* outlines requirements for counties' handling of public funds, including required purchasing procedures for counties.

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

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

FINANCIAL STATEMENT FINDING: (Continued)

2022-001 The McCracken County Fiscal Court Failed To Implement Internal Controls Over Disbursements
(Continued)

KRS 64.710 states, “[n]o public officer or employee shall receive or be allowed or paid any lump sum expense allowance, or contingent fund for personal or official expenses, except where such allowance or fund either is expressly provided for by statute or is specifically appropriated by the General Assembly.”

According to the McCracken County Administrative Code, “[w]hen a County vehicle is unavailable, use of personal vehicles will be reimbursed at as per the Kentucky Finance and Administration Cabinet-State Employee Travel Guidelines. Such payment shall be deemed to cover all personal vehicle repairs, depreciation, gas, oil, and other out-of-pocket expenses, except parking and toll fees. The County will reimburse for meals using these same guidelines.” The Kentucky Finance and Administration Cabinet- State Employee Travel Guidelines states the following: “Meal reimbursement rates for non-high rate areas shall be as follows: a. Breakfast: eight (8) dollars b. Lunch: ten (10) dollars c. Dinner: eighteen (18) dollars.” Furthermore, the state of Kentucky reimburses meals on a per diem system, rather than based on receipts presented.

Strong internal controls require purchase orders to be requested, approved, and issued prior to items being ordered and expenses being incurred. Also, strong internal controls dictate that fuel purchases be properly authorized. Furthermore, strong internal controls dictate that disbursements be adequately supported by itemized receipts or invoices and be coded to the proper accounts.

We recommend the McCracken County Fiscal Court strengthen internal controls over disbursements by ensuring that purchase orders are issued prior to all purchases being made. We recommend the fiscal court review fuel card transactions and document each review. We also recommend the fiscal court stop the practice of paying employees a cell phone stipend. We further recommend that the fiscal court adhere to its administrative code for meal reimbursements. Lastly, we recommend the fiscal court ensure that all disbursements are adequately supported by itemized receipts or invoices and be recorded in the proper account codes.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive’s Response:

The county does not feel that all of the items noted for no PO’s were correct.

- 1.) *McCracken County does not issue PO’s for any amount of less \$100.00*
- 2.) *McCracken County does not issue PO’s for any accounts approved by DLG per Standing Order.*
- 3.) *McCracken County does not issue PO’s for purchases that have been separately approved by court orders.*
- 4.) *McCracken County does not issue PO’s for amounts paid on contracts that have been separately approved by court orders.*
- 5.) *McCracken County does not issue PO’s where Kentucky Statue mandates these payments.*
- 6.) *McCracken County does not issue PO’s for reimbursing petty cash funds.*
- 7.) *McCracken County does not issue PO’s for travel reimbursement.*
- 8.) *McCracken County does not issue PO’s for jail medical expenses due to the nature of such expenses.*

The finance office supplies each department with a copy of the [fuel vendor name redacted] invoice for review. Each department is asked to return those copies, stating they have reviewed and approve the monthly fuel purchases. The Jail was the only department who did not return those copies, all others did.

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

FINANCIAL STATEMENT FINDING: (Continued)

2022-001 The McCracken County Fiscal Court Failed To Implement Internal Controls Over Disbursements
(Continued)

Views of Responsible Official and Planned Corrective Action: (Continued)

County Judge/Executive's Response: (Continued)

McCracken County pays eight employees \$40.00 per month as partial reimbursement for business use of their personal cell phone. This is a savings to the county and the county does not view these payments as lump sum payments.

The treasurer will ensure the administrative code is followed when reimbursing employees for travel expenses.

The Fiscal Court approves vouchers claims register every meeting. The original claims register is housed with the County Clerk along with the original minutes. Obviously, there was a misfiling as the minutes of each meeting reflect these approvals. The treasurer maintains a copy of the claims register with her board packets and could have provided this copy to the auditor.

The treasurer will ensure that itemized receipts are attached to all travel reimbursements.

Auditor's Reply: McCracken County's Administrative code does not authorize the exceptions for issuing purchase orders for any of the reasons listed in the County Judge Executive's response. The administrative code states "All claims for payment from the County shall be filed in writing with the County Judge. Each claim shall be recorded by date, receipt, and purchase order number and presented to the Fiscal Court at its next meeting."

Additionally, the McCracken County's Administrative Code calls the payment a stipend and states, "The stipend rate is as follows: \$40 per month Stipend (for standard employee cell phones with voice/data plan). This rate is based on what the County would pay if the phones were issued through the County's provider." Since the stipend is not a reimbursement of what the employee paid, it is a lump sum payment.

KRS 67.100 states, "(1) The fiscal court is a court of record. Minutes of the proceedings of each meeting shall be prepared and submitted for approval at the next succeeding meeting. (2) Every official action of the fiscal court shall be made a part of the permanent records of the county." Claims registers maintained by the county treasurer are not an official part of the fiscal court proceedings. Only items documented in the fiscal court meeting minutes are considered permanent records of the county.

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

MCCRACKEN COUNTY FISCAL COURT

For The Year Ended June 30, 2022

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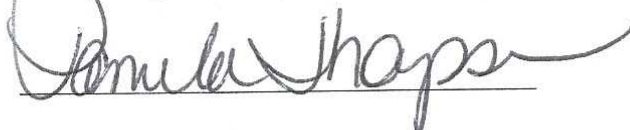
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
COUNTY FISCAL COURT

For The Year Ended June 30, 2022

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



County Judge/Executive



County Treasurer