

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

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



**MIKE HARMON
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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

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

Independent Auditor's Report

Report on the Financial Statement

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

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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



To the People of Kentucky
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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the Monroe County Fiscal Court on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Monroe County Fiscal Court as of June 30, 2021, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of the Monroe County Fiscal Court as of June 30, 2021, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government as described in Note 1.

Other Matters

Supplementary and Other Information

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

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2022, on our consideration of the Monroe 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 Monroe County Fiscal Court's internal control over financial reporting and compliance.

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

- 2021-001 The Monroe County Treasurer Was Not Bonded From December 1, 2020 Through December 31, 2021
- 2021-002 The Monroe County Fiscal Court Did Not Accurately Report Financial Information
- 2021-003 The Monroe County Fiscal Court Failed To Implement Internal Controls To Ensure Costs Submitted For Reimbursement Were For Eligible Expenses Not Already Reimbursed By Other Entities And Properly Documented

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

January 31, 2022

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

Mitchell Page	County Judge/Executive
Jamie Veach	Magistrate
Roger Deckard	Magistrate
Ricky Bartley	Magistrate
Ricky Graves	Magistrate
Mark Williams	Magistrate

Other Elected Officials:

Wesley Stephens	County Attorney
Elmer Doyle Fox	Jailer
Teresa McMillin Sheffield	County Clerk
Kimberly Hagan	Circuit Court Clerk
Roger Dale Ford	Sheriff
Shawn Guffey	Property Valuation Administrator
Maxey Gentry	Coroner

Appointed Personnel:

County Treasurer:

Brittany Wilborn	July 1, 2020 through July 8, 2020
Sheryl Conkin	July 9, 2020 through November 30, 2020
Renea Crowe	December 1, 2020 through February 24, 2021
Sheryl Conkin	February 25, 2021 through March 7, 2021
Renea Crowe	March 8, 2021 through June 30, 2021

Finance Officer:

Lori Emmert	July 1, 2020 through April 19, 2021
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Occupational Tax Administrator:

Brittany Wilborn	July 1, 2020 through July 8, 2020
Sheryl Conkin	July 9, 2020 through February 24, 2021
Deanna York	February 25, 2021 through June 30, 2021

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

For The Year Ended June 30, 2021

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

For The Year Ended June 30, 2021

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 1,869,534	\$	\$
In Lieu Tax Payments	51,317		
Excess Fees	148,523		
Licenses and Permits	18,425		
Intergovernmental	909,422	1,134,034	81,050
Miscellaneous	87,648	33,943	6,568
Interest	4,654	2,091	255
Total Receipts	<u>3,089,523</u>	<u>1,170,068</u>	<u>87,873</u>
DISBURSEMENTS			
General Government	1,275,265		
Protection to Persons and Property	85,594		306,402
General Health and Sanitation	52,898		
Social Services	89,164		
Recreation and Culture	7,368		
Roads		1,446,728	
Airports			
Debt Service	430,200		
Capital Projects	22,473		
Administration	755,574	137,756	21,415
Total Disbursements	<u>2,718,536</u>	<u>1,584,484</u>	<u>327,817</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>370,987</u>	<u>(414,416)</u>	<u>(239,944)</u>
Other Adjustments to Cash (Uses)			
Financing Obligation Proceeds	430,200		
Transfers From Other Funds			270,000
Transfers To Other Funds	(270,000)		
Total Other Adjustments to Cash (Uses)	<u>160,200</u>		<u>270,000</u>
Net Change in Fund Balance	531,187	(414,416)	30,056
Fund Balance - Beginning	2,123,137	800,637	11,312
Fund Balance - Ending	<u>\$ 2,654,324</u>	<u>\$ 386,221</u>	<u>\$ 41,368</u>
Composition of Fund Balance			
Bank Balance	\$ 2,711,054	\$ 407,497	\$ 71,723
Less: Outstanding Checks	(56,730)	(21,276)	(30,355)
Fund Balance - Ending	<u>\$ 2,654,324</u>	<u>\$ 386,221</u>	<u>\$ 41,368</u>

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

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

<u>Budgeted Funds</u>		<u>Unbudgeted Fund</u>		
Local		Public		
Government		Properties		
Economic		Corporation		
Assistance		Fund		Total
Fund				Funds
\$		\$		\$ 1,869,534
				51,317
				148,523
				18,425
41,332		741,750		2,907,588
				128,159
152		30		7,182
<u>41,484</u>		<u>741,780</u>		<u>5,130,728</u>
				1,275,265
43,397				435,393
				52,898
				89,164
				7,368
				1,446,728
3,000				3,000
		738,750		1,168,950
				22,473
				914,745
<u>46,397</u>		<u>738,750</u>		<u>5,415,984</u>
				(4,913)
		3,030		(285,256)
				430,200
				270,000
				(270,000)
				430,200
(4,913)		3,030		144,944
<u>85,404</u>		<u>149,262</u>		<u>3,169,752</u>
\$ 80,491	\$	152,292	\$	3,314,696
\$ 80,991	\$	152,292	\$	3,423,557
(500)				(108,861)
<u>\$ 80,491</u>	<u>\$</u>	<u>152,292</u>	<u>\$</u>	<u>3,314,696</u>

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

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TO THE FINANCIAL STATEMENT**

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**MONROE COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2021

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The Monroe County Fire and Rescue Squad and the Monroe County Recreation, Tourist, and Convention Commission would have been included in the reporting entity under accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. However, under the regulatory basis, they are no longer are required components of the reporting entity.

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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state government 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.

Unbudgeted Fund

The fiscal court reports the following unbudgeted fund:

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

D. Budgetary Information

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

E. Monroe County Elected Officials

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

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

F. Deposits and Investments

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

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 Organizations and Joint Ventures

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

Monroe County Ambulance District
Monroe County Water District
Fountain Run Water District
Monroe County Industrial Development Board

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

Note 1. Summary of Significant Accounting Policies (Continued)

H. Related Organizations and Joint Ventures (Continued)

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

Monroe County/Tompkinsville Airport Board

Note 2. Deposits

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of the DLG *County Budget Preparation and State Local Finance Officer Policy Manual*. As of June 30, 2021, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Transfers

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

	General Fund	Total Transfers In
Jail Fund	\$ 270,000	\$ 270,000
Total Transfers Out	\$ 270,000	\$ 270,000

Reason for transfers:

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

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

Note 4. Short-term Debt

A. Direct Borrowing

1. Financing Obligation - Property For Community Park

On May 8, 2020, the Monroe County Fiscal Court entered into an unsecured promissory note with a local financial institution in the amount of \$430,200. The funds were used to purchase property including a house and two barns for a community park. The promissory note contains provisions that in event of default the outstanding amount becomes immediately due if the fiscal court is unable to make payment and the lender may offset the amount due from the bank accounts the fiscal court has with the lender. The interest rate was 4.25% per year. The loan has a maturity date of August 8, 2020. The promissory note was paid off August 26, 2020.

B. Changes In Short-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings	\$ 430,200	\$	\$ 430,200	\$	\$
Total Short-term Debt	<u>\$ 430,200</u>	<u>\$ 0</u>	<u>\$ 430,200</u>	<u>\$ 0</u>	<u>\$ 0</u>

Note 5. Long-term Debt

A. Direct Borrowings

1. Financing Obligation - Road Equipment

On March 27, 2019, the Monroe County Fiscal Court entered into an agreement with the Kentucky Association Counties Leasing Trust Program (KACoLT) in the amount of \$150,000. The funds we used to purchase a road patcher, oil tank storage, and pad for tank for the road department. Interest is paid annually at a rate of 4.05%. Principal and interest payments are due on March 20 each year through fiscal year 2024. The agreement is secured by the road equipment. In the event of default, the road equipment will be repossessed by KACoLT. The outstanding principal balance as of June 30, 2021, was \$93,253. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 29,977	\$ 3,777
2023	31,071	2,563
2024	32,205	1,304
Totals	<u>\$ 93,253</u>	<u>\$ 7,644</u>

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

Note 5. Long-term Debt (Continued)

A. Direct Borrowings (Continued)

2. Financing Obligation - Sheriff Vehicles

On July 30, 2019, the Monroe County Fiscal Court entered into a promissory note with a local financial institution in the amount of \$42,650. The funds were paid directly to the Monroe County Sheriff to be used to purchase three vehicles for the sheriff's office. The principal was \$42,650 at an interest rate of 5.25% for a period of three years, principal and interest payable yearly. The final installment is due on July 22, 2022. The note is secured by the three vehicles. The promissory note contains provisions that in event of default the outstanding amount becomes immediately due if the fiscal court is unable to make payment and the lender may offset the amount due from the bank accounts the fiscal court has with the lender or repossess the vehicles. The promissory note was paid in full on April 18, 2021.

3. Financing Obligation - Property For Community Park

On August 20, 2020, the Monroe County Fiscal Court entered into a general obligation lease with the Kentucky Association Counties Leasing Trust Program (KACoLT) in the amount of \$425,000 with \$5,000 premium. The funds of \$430,000 were used on August 26, 2020 to make payment on a short term unsecured promissory note with a local financial institution that was used to purchase property for a community park. Interest is paid annually at a rate of 1.71%. Principal and interest payments are due on December 20 and June 20 each year until December 20, 2035. The agreement is secured by the property on Columbia Avenue. In the event of default, the property will be repossessed by KACoLT. The outstanding principal balance as of June 30, 2021, was \$420,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest & Fees
2022	\$ 20,000	\$ 12,515
2023	25,000	11,565
2024	25,000	10,502
2025	25,000	9,440
2026	25,000	8,377
2027-2031	145,000	28,135
2032-2036	155,000	13,059
Totals	<u>\$ 420,000</u>	<u>\$ 93,593</u>

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

Note 5. Long-term Debt (Continued)

B. Other Debt

1. First Mortgage Revenue Bonds, Series 2009

On December 1, 2009, the Monroe County Public Properties Corporation issued revenue bonds of \$10,005,000 to pay off the 2008 series notes, which were originally issued for the purpose of constructing a judicial center, and to further the construction of the judicial center. On November 17, 2016, the corporation issued first mortgage refunding revenue bonds, series 2016, which defeased a portion of the series 2009 bonds. The non-refunded principal is payable annually on November 1, with final payment being due November 1, 2022. Interest is payable semi-annually on May 1 and November 1 of each year at varying rates from 4% to 4.25%. A mortgage has been issued secured by the judicial center. In the event of default, the judicial center will be repossessed by the financial institution. The corporation has entered into an agreement to lease the Monroe County Judicial Center to the Administrative Office of the Courts, Commonwealth of Kentucky, for the amount of the bond payments. The bonds outstanding at June 30, 2021, totaled \$545,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 545,000	\$ 10,900
Totals	<u>\$ 545,000</u>	<u>\$ 10,900</u>

2. First Mortgage Revenue Bonds, Series 2016

On November 17, 2016, the Monroe County Public Properties Corporation issued \$4,760,000 of first mortgage refunding revenue bonds to advance refund a portion of the series 2009 bonds, which were originally issued for the construction of the judicial center. Principal payments are due annually on November 1, with final payment being due November 1, 2028. Interest is payable semi-annually on May 1 and November 1 of each year at interest rate of 3%. Bonds maturing on or after November 1, 2027, are subject to redemption, in whole or in part, by the corporation prior to their state maturities, at any time on or after November 1, 2026, upon payment of 100% of the principal amount to be redeemed plus accrued interest to the date of redemption. A mortgage has been issued secured by the judicial center. In the event of default, the judicial center will be repossessed by the financial institution. The corporation has entered into an agreement to lease the Monroe County Judicial Center to the Administrative Office of the Courts, Commonwealth of Kentucky, for the amount of the bond payments. The bonds outstanding at June 30, 2021, totaled \$4,695,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 40,000	\$ 140,250
2023	605,000	130,575
2024	625,000	112,125
2025	645,000	93,075
2026	665,000	73,425
2027-2029	<u>2,115,000</u>	<u>96,375</u>
Totals	<u>\$ 4,695,000</u>	<u>\$ 645,825</u>

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

Note 5. Long-term Debt (Continued)

C. Changes In Long-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings	\$ 164,824	\$ 425,000	\$ 76,571	\$ 513,253	\$ 49,977
Revenue Bonds	5,805,000		565,000	5,240,000	585,000
Total Long-term Debt	<u>\$ 5,969,824</u>	<u>\$ 425,000</u>	<u>\$ 641,571</u>	<u>\$ 5,753,253</u>	<u>\$ 634,977</u>

D. Aggregate Debt Schedule

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

Fiscal Year Ended June 30	Other Debt		Direct Borrowings	
	Principal	Interest	Principal	Interest
2022	\$ 585,000	\$ 151,150	\$ 49,977	\$ 16,292
2023	605,000	130,575	56,071	14,128
2024	625,000	112,125	57,205	11,806
2025	645,000	93,075	25,000	9,440
2026	665,000	73,425	25,000	8,377
2027-2031	2,115,000	96,375	145,000	28,135
2032-2036			155,000	13,059
Totals	<u>\$ 5,240,000</u>	<u>\$ 656,725</u>	<u>\$ 513,253</u>	<u>\$ 101,237</u>

Note 6. 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.

Note 7. Employee Retirement System

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Effective April 1, 2021, the Kentucky Retirement Systems as an agency of the Commonwealth is now known as the Kentucky Public Pensions Authority (KPPA). The governance of CERS has been transferred to a separate 9-member board of trustees that is responsible for the governance of the CERS pension and insurance plans.

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

Note 7. Employee Retirement System (Continued)

The county's contribution for FY 2019 was \$196,464, FY 2020 was \$245,372 and FY 2021 was \$249,963.

Nonhazardous

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

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

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

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

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%

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

Note 7. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (Continued)

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

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

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

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

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

Tier 2 member benefits are covered by KRS 161.714 with exception of COLA and retiree health benefits after July 2003. Tier 3 members are not covered by the same provisions.

C. Cost of Living Adjustments - Tier 1

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

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

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

E. Death Benefit

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

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

Note 7. Employee Retirement System (Continued)

KRS Annual Financial Report and Proportionate Share Audit Report

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

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

Note 8. Insurance

For the fiscal year ended June 30, 2021, the Monroe County Fiscal Court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 9. Subsequent Event

On July 21, 2021, Monroe County Fiscal Court approved transferring \$650,000 from the general fund to the road fund to be used for blacktopping.

Note 10. Related Party Transaction

The Monroe County Fiscal Court conducted business with a local vendor owned by the sister-in-law of the county judge/executive for payroll services. For fiscal year end June 30, 2021, the fiscal court expended \$600 from the general fund for payroll services.

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MONROE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2021

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MONROE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2021

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,534,600	\$ 1,534,600	\$ 1,869,534	\$ 334,934
In Lieu Tax Payments	58,000	58,000	51,317	(6,683)
Excess Fees	60,000	60,000	148,523	88,523
Licenses and Permits	18,030	18,030	18,425	395
Intergovernmental	402,370	887,775	909,422	21,647
Miscellaneous	15,000	15,000	87,648	72,648
Interest	3,000	3,000	4,654	1,654
Total Receipts	<u>2,091,000</u>	<u>2,576,405</u>	<u>3,089,523</u>	<u>513,118</u>
DISBURSEMENTS				
General Government	920,566	1,348,022	1,275,265	72,757
Protection to Persons and Property	91,890	101,890	85,594	16,296
General Health and Sanitation	51,010	64,238	52,898	11,340
Social Services	17,000	96,425	89,164	7,261
Recreation and Culture	10,300	10,300	7,368	2,932
Debt Service		430,200	430,200	
Capital Projects	35,030	35,030	22,473	12,557
Administration	971,114	926,410	755,574	170,836
Total Disbursements	<u>2,096,910</u>	<u>3,012,515</u>	<u>2,718,536</u>	<u>293,979</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(5,910)</u>	<u>(436,110)</u>	<u>370,987</u>	<u>807,097</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds		430,200	430,200	
Transfers To Other Funds	(544,090)	(544,090)	(270,000)	274,090
Total Other Adjustments to Cash (Uses)	<u>(544,090)</u>	<u>(113,890)</u>	<u>160,200</u>	<u>274,090</u>
Net Change in Fund Balance	(550,000)	(550,000)	531,187	1,081,187
Fund Balance - Beginning	<u>550,000</u>	<u>550,000</u>	<u>2,123,137</u>	<u>1,573,137</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,654,324</u>	<u>\$ 2,654,324</u>

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

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,263,418	\$ 1,263,418	\$ 1,134,034	\$ (129,384)
Miscellaneous	28,632	28,632	33,943	5,311
Interest	1,000	1,000	2,091	1,091
Total Receipts	<u>1,293,050</u>	<u>1,293,050</u>	<u>1,170,068</u>	<u>(122,982)</u>
DISBURSEMENTS				
Roads	1,322,750	1,912,426	1,446,728	465,698
Administration	<u>170,300</u>	<u>170,375</u>	<u>137,756</u>	<u>32,619</u>
Total Disbursements	<u>1,493,050</u>	<u>2,082,801</u>	<u>1,584,484</u>	<u>498,317</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(200,000)</u>	<u>(789,751)</u>	<u>(414,416)</u>	<u>375,335</u>
Net Change in Fund Balance	(200,000)	(789,751)	(414,416)	375,335
Fund Balance - Beginning	<u>200,000</u>	<u>789,751</u>	<u>800,637</u>	<u>10,886</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 386,221</u>	<u>\$ 386,221</u>

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

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 81,500	\$ 81,500	\$ 81,050	\$ (450)
Miscellaneous			6,568	6,568
Interest			255	255
Total Receipts	<u>81,500</u>	<u>81,500</u>	<u>87,873</u>	<u>6,373</u>
DISBURSEMENTS				
Protection to Persons and Property	610,190	603,899	306,402	297,497
Administration	15,400	21,691	21,415	276
Total Disbursements	<u>625,590</u>	<u>625,590</u>	<u>327,817</u>	<u>297,773</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(544,090)</u>	<u>(544,090)</u>	<u>(239,944)</u>	<u>304,146</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	544,090	544,090	270,000	(274,090)
Total Other Adjustments to Cash (Uses)	<u>544,090</u>	<u>544,090</u>	<u>270,000</u>	<u>(274,090)</u>
Net Change in Fund Balance			30,056	30,056
Fund Balance - Beginning			<u>11,312</u>	<u>11,312</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 41,368</u>	<u>\$ 41,368</u>

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

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Intergovernmental	\$ 30,000	\$ 30,000	\$ 41,332	\$ 11,332
Interest			152	152
Total Receipts	<u>30,000</u>	<u>30,000</u>	<u>41,484</u>	<u>11,484</u>
DISBURSEMENTS				
General Government	2,000	2,000		2,000
Protection to Persons and Property	45,000	45,000	43,397	1,603
Airports	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	
Total Disbursements	<u>50,000</u>	<u>50,000</u>	<u>46,397</u>	<u>3,603</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(20,000)</u>	<u>(20,000)</u>	<u>(4,913)</u>	<u>15,087</u>
Net Change in Fund Balance	(20,000)	(20,000)	(4,913)	15,087
Fund Balance - Beginning	<u>20,000</u>	<u>20,000</u>	<u>85,404</u>	<u>65,404</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 80,491</u>	<u>\$ 80,491</u>

MONROE COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2021

Note 1. Budgetary Information

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

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

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

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

For The Year Ended June 30, 2021

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MONROE COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2021

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 862,900	\$	\$	\$ 862,900
Building and Building Improvements	13,120,617	29,685		13,150,302
Equipment	1,137,750	48,200		1,185,950
Vehicles	617,764	6,000		623,764
Infrastructure	13,732,943	920,647		14,653,590
 Total Capital Assets	 <u>\$ 29,471,974</u>	 <u>\$ 1,004,532</u>	 <u>\$ 0</u>	 <u>\$ 30,476,506</u>

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

June 30, 2021

Note 1. Capital Assets

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

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

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Mitchell Page, Monroe County Judge/Executive
Members of the Monroe County Fiscal Court

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

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Monroe County Fiscal Court for the fiscal year ended June 30, 2021, and the related notes to the financial statement which collectively comprise the Monroe County Fiscal Court's financial statement and have issued our report thereon dated January 31, 2022.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2021-001 and 2021-002 to be material weaknesses.



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

Internal Control Over Financial Reporting (Continued)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2021-003 to be a significant deficiency.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Monroe County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2021-001 and 2021-002.

Views of Responsible Official and Planned Corrective Action

Monroe 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 responses were not subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we express no opinion on them.

Purpose of this Report

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

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

January 31, 2022

**MONROE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2021

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**MONROE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2021

FINANCIAL STATEMENT FINDINGS:

2021-001 The Monroe County Treasurer Was Not Bonded From December 1, 2020 Through December 31, 2021

On November 19, 2020, the Monroe County Fiscal Court hired a new county treasurer as of December 1, 2020. The new county treasurer took the oath of office on December 1, 2020; however, no bond was executed or approved by the fiscal court. The county treasurer stated that they thought the former interim county treasurer's bond covered her as well. They just forgot to change the name on the bond. When a bond was not obtained on the county treasurer, the risk to the fiscal court's funds was significantly increased since the county treasurer handles all deposits and disbursements of the fiscal court's funds.

Proper internal controls over fiscal court's funds dictate the fiscal court ensure the county treasurer executes bonds before taking office. KRS 68.010(3) states, in part, "[t]he county treasurer shall take the constitutional oath of office before the fiscal court, and shall execute bond with at least two (2) reputable sureties, to be approved by the fiscal court."

We recommend a bond be executed on the county treasurer when appointed by the fiscal court as required by statute.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: This has been corrected.

2021-002 The Monroe County Fiscal Court Did Not Accurately Report Financial Information

This is a repeat finding and was included in the prior year audit report as finding 2020-001. The following reporting errors were noted on the fourth quarter financial statement for June 30, 2021, for Monroe County Fiscal Court:

- The county treasurer did not include activity of bank account totaling \$27,545 held by the fiscal court in the general fund on the fourth quarter financial statement. The fiscal court was temporarily holding funds of \$27,545 for Monroe County Industrial Development Authority (IDA) in a separate bank account. These funds were received from the Monroe County/Tompkinsville Industrial Development when it dissolved during fiscal year 2019 and transferred to the IDA on September 11, 2020. This amount was added to the beginning fund balance line item of the general fund and the disbursements general government line item of the general fund.
- The county treasurer did not include activity of bank account totaling \$10,887 held in the fiscal court's name on the fourth quarter financial statement. The Kentucky Association of Counties (KACo) has a bank account in the fiscal court's name. These funds are unused loan proceeds of \$10,756 on money borrowed for road equipment during fiscal year 2019, interest earned on these funds in prior years of \$130 and interest earned in current year of \$1. KACo applied the funds to the amount owed on the road equipment financing obligation. These amounts were added to the beginning fund balance and interest earned line items of the road fund, \$10,886 and \$1, respectively. In addition, \$10,887 was added to the disbursements roads line item of the road fund.
- The fourth quarter liabilities page on the fourth quarter financial statement was materially inaccurate. The county treasurer did not record the ending balances for the financing obligations on the road equipment and property for the community park, the unrefunded portion of the first mortgage revenue bonds, series 2009, and first mortgage revenue refunding bonds, series 2016.

MONROE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2021
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2021-002 The Monroe County Fiscal Court Did Not Accurately Report Financial Information (Continued)

The county treasurer who was appointed December 1, 2020, did not realize she should include those bank accounts on her fourth quarter financial statement. She stated the deputy judge/executive recorded the ending balances for principal and interest on debt incorrectly.

This deficiency resulted in inaccurate financial reporting to the fiscal court and Department for Local Government (DLG). Misstatements of receipts and disbursements were noted due to errors requiring adjustments on the fourth quarter financial statement as noted above. Misstatements of the beginning fund balance were also noted due to errors requiring adjustments on the fourth quarter financial statement as noted above. In addition, by not recording ending balances on debt correctly, the outstanding debt of the Monroe County Fiscal Court and Monroe County Public Properties Corporation on the fourth quarter financial statement liabilities page, principal was materially understated by \$1,102,140 and interest was overstated by \$46,161.

Strong internal controls over the reporting process are vital in ensuring the fiscal court's financial reports accurately reflect the financial activity of the fiscal court. KRS 68.020(4) states, in part, the county treasurer "shall keep an accurate detailed account of all money received and disbursed by him for the county, and shall keep books of accounts of the financial transactions of the county in the manner required by the uniform system of accounting prescribed by the state local finance officer." KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in the DLG's *County Budget Preparation and State Local Finance Officer Policy Manual*. The manual requires all money received and paid to be reflected in the county budget and be properly reflected on the financial report as a receipt as well as an "expenditure."

Furthermore, all funds disbursed on the fiscal court's behalf by third parties should be recorded in receipts and appropriations ledgers. DLG's manual also requires the liabilities section of the quarter financial statement to be utilized for reporting current long-term debt.

We recommend the fiscal court implement stronger internal controls over the reporting process to ensure receipts, disbursements, and cash balances from all bank accounts along with all loan and lease activity is properly recorded to the fiscal court's ledgers and to the financial statements submitted to the Department for Local Government.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The money requested in 2019 was to go to the bond payment. KACO failed to apply the money until 2021.

MONROE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2021
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2021-003 The Monroe County Fiscal Court Failed To Implement Internal Controls To Ensure Costs Submitted For Reimbursement Were For Eligible Expenses Not Already Reimbursed By Other Entities And Properly Documented

The Coronavirus Relief Fund (CRF) was established under section 601 of the Social Security Act to cover costs that are necessary expenditures incurred due to the public health emergency with respect to Coronavirus Disease 2019 (COVID-19). The \$150 billion fund is to be used to make payments for specified uses to states, tribal governments, and certain local governments for the program period March 1, 2020 through December 31, 2021. The Compliance Supplement 2021 for Department of the Treasury for CRF for States, Tribal Governments, and Certain Eligible Local Governments states “recipients may not use payments from the Fund to cover expenditures for which they will receive reimbursement from other sources.” During fiscal year 2021, the Monroe County Fiscal Court paid the Monroe County Sheriff reimbursement received from the CRF of \$34,785 gross wages for court security officers waiting on the court. These payroll expenditures had already been reimbursed to the sheriff’s office by the Kentucky Finance and Administration Cabinet for the court security officers, under KRS 64.092. In addition, the fiscal court received reimbursement of \$21,829 from the CRF but had no supporting documentation of what disbursements were being reimbursed.

The Monroe County Fiscal Court failed to establish effective internal controls over compliance requirements to ensure expenditures submitted for reimbursement from the CRF were not already reimbursed from other sources and disbursements had supporting documentation. The deputy county judge/executive stated the former finance officer was unaware that some of the payroll expenditures submitted by the sheriff’s office for reimbursement under CRF reimbursement contract had already been reimbursed to the sheriff’s office by the state. In addition, the former finance officer contacted the state by email regarding the overpayment of \$21,829 but never received an answer as to why there was a difference between the amount request by the fiscal court and the amount paid by the state.

The fiscal court received reimbursement for payroll expenditures that had already been reimbursed by other entities and disbursements without supporting documentation. The fiscal court may be required to repay the questioned costs back to the granting agency.

2 CFR § 200.303 requires a non-federal entity to “[e]stablish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.” In addition, 2 CFR § 200.1 states:

Improper payment means:

- (1) Any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements.
 - (i) Incorrect amounts are overpayments or underpayments that are made to eligible recipients (including inappropriate denials of payment or service, any payment that does not account for credit for applicable discounts, payments that are for an incorrect amount, and duplicate payments). An improper payment also includes any payment that was made to an ineligible recipient or for an ineligible good or service, or payments for goods or services not received (except for such payments authorized by law).

**MONROE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2021
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2021-003 The Monroe County Fiscal Court Failed To Implement Internal Controls To Ensure Costs Submitted For Reimbursement Were For Eligible Expenses Not Already Reimbursed By Other Entities And Properly Documented (Continued)

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

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: In addition, the former finance officer contacted the state by email regarding the overpayment of \$21,829 but never received an answer as to why there was a difference between the amount request by the fiscal court and the amount paid by the state.

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

MONROE COUNTY FISCAL COURT

For The Year Ended June 30, 2021

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

For The Year Ended June 30, 2021

The Monroe 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.

A handwritten signature in blue ink that reads "Mitchell Page". The signature is written in a cursive style and is positioned above a horizontal line.

County Judge/Executive

A handwritten signature in blue ink that reads "Renea Crowe". The signature is written in a cursive style and is positioned above a horizontal line.

County Treasurer