

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

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



**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 Dan Ison, Shelby County Judge/Executive
Members of the Shelby 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 Shelby County Fiscal Court, for the year ended June 30, 2020, and the related notes to the financial statement which collectively comprise the Shelby 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
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
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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 Shelby 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 Shelby County Fiscal Court as of June 30, 2020, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

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

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Shelby County Fiscal Court. The Budgetary Comparison Schedules and the Schedule of Expenditures of Federal Awards (supplementary information), as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Schedule of Capital Assets (other information) are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

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

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

Other Matters (Continued)

Supplementary and Other Information (Continued)

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2021, on our consideration of the Shelby County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Shelby County Fiscal Court's internal control over financial reporting and compliance.

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

2020-001 The Shelby County Fiscal Court Did Not Properly Account For All Debt Activity And Exceeded Their Budget

Respectfully submitted,



Farrah Petter
Assistant Auditor of Public Accounts

September 20, 2021

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

Dan Ison	County Judge/Executive
Ross Webb	Magistrate
Charlie Metzger	Magistrate
Michael Miller	Magistrate
Bill Hedges	Magistrate
Eddie Kingsolver	Magistrate
Brock Lisby	Magistrate
Danny Eades	Magistrate

Other Elected Officials:

Hart Megibben	County Attorney
Darrell Cox	Jailer
Sue Carrol	County Clerk
Wendy Graney	Circuit Court Clerk
Mark Moore	Sheriff
Brad McDowell	Property Valuation Administrator
Jeff Ivers	Coroner

Appointed Personnel:

Sheila Quijas	County Treasurer
Sandra Ashcraft	Chief Financial Officer
Rusty Newton	Occupational Tax Administrator
Janet Cuthrell	Deputy Judge/Executive

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

For The Year Ended June 30, 2020

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

For The Year Ended June 30, 2020

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 10,134,500	\$	\$
In Lieu Tax Payments	11,366		
Excess Fees	650,809		
Licenses and Permits	213,065		
Intergovernmental	888,983	2,134,726	2,591,173
Charges for Services	27,504		116,776
Miscellaneous	2,215,791	19,114	119,348
Interest	13,037	5,447	87
Total Receipts	<u>14,155,055</u>	<u>2,159,287</u>	<u>2,827,384</u>
DISBURSEMENTS			
General Government	4,429,555		
Protection to Persons and Property	961,924	1,245	2,911,196
General Health and Sanitation	863,755		
Social Services	190,444		
Recreation and Culture	849,187		
Roads		2,874,381	
Debt Service	948,867		
Administration	2,101,268	423,640	1,063,650
Total Disbursements	<u>10,345,000</u>	<u>3,299,266</u>	<u>3,974,846</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>3,810,055</u>	<u>(1,139,979)</u>	<u>(1,147,462)</u>
Other Adjustments to Cash (Uses)			
Financing Obligation Proceeds	400,000		
Transfers From Other Funds		1,055,000	1,135,000
Transfers To Other Funds	(3,422,000)		
Total Other Adjustments to Cash (Uses)	<u>(3,022,000)</u>	<u>1,055,000</u>	<u>1,135,000</u>
Net Change in Fund Balance	788,055	(84,979)	(12,462)
Fund Balance - Beginning (Restated)	<u>9,796,120</u>	<u>1,503,846</u>	<u>56,940</u>
Fund Balance - Ending	<u>\$ 10,584,175</u>	<u>\$ 1,418,867</u>	<u>\$ 44,478</u>
Composition of Fund Balance			
Bank Balance	\$ 10,604,140	\$ 1,420,979	\$ 45,744
Less: Outstanding Checks	<u>(19,965)</u>	<u>(2,112)</u>	<u>(1,266)</u>
Certificates of Deposit			
Fund Balance - Ending	<u>\$ 10,584,175</u>	<u>\$ 1,418,867</u>	<u>\$ 44,478</u>

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

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

Budgeted Funds				
Local Government Economic Assistance Fund	Ambulance Fund	Special Fund	Transient Room Tax Fund	KaCoLT Leasing Trust Fund
\$	\$	\$	\$ 186,672	\$
114,032	10,000			
	1,631,785			
	55,947			
438	5		236	
<u>114,470</u>	<u>1,697,737</u>		<u>186,908</u>	
	1,888,969			
			173,989	
				7,246
	1,025,991			
	<u>2,914,960</u>		<u>173,989</u>	<u>7,246</u>
114,470	(1,217,223)		12,919	(7,246)
				7,246
	1,232,000			
	<u>1,232,000</u>			<u>7,246</u>
114,470	14,777		12,919	
389,302	62,384	263,046	224	67
<u>\$ 503,772</u>	<u>\$ 77,161</u>	<u>\$ 263,046</u>	<u>\$ 13,143</u>	<u>\$ 67</u>
\$ 503,772	\$ 79,443	\$ 263,046	\$ 13,143	\$ 67
	(2,282)			
<u>\$ 503,772</u>	<u>\$ 77,161</u>	<u>\$ 263,046</u>	<u>\$ 13,143</u>	<u>\$ 67</u>

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

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

	Unbudgeted Funds		Private Purpose	Total Funds
	Justice Center Public Properties Fund	Jail Commissary Fund	Trust Fund King's Daughter Fiscal Court Scholarship Fund	
RECEIPTS				
Taxes	\$	\$	\$	\$ 10,321,172
In Lieu Tax Payments				11,366
Excess Fees				650,809
Licenses and Permits				213,065
Intergovernmental	664,459	12,935		6,416,308
Charges for Services				1,776,065
Miscellaneous		472,121		2,882,321
Interest	1,002	705	11,714	32,671
Total Receipts	<u>665,461</u>	<u>485,761</u>	<u>11,714</u>	<u>22,303,777</u>
DISBURSEMENTS				
General Government				4,429,555
Protection to Persons and Property				5,763,334
General Health and Sanitation				863,755
Social Services				190,444
Recreation and Culture		543,989	622	1,567,787
Roads				2,874,381
Debt Service	658,559			1,614,672
Administration	4,545			4,619,094
Total Disbursements	<u>663,104</u>	<u>543,989</u>	<u>622</u>	<u>21,923,022</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>2,357</u>	<u>(58,228)</u>	<u>11,092</u>	<u>380,755</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds				407,246
Transfers From Other Funds				3,422,000
Transfers To Other Funds				(3,422,000)
Total Other Adjustments to Cash (Uses)				<u>407,246</u>
Net Change in Fund Balance	2,357	(58,228)	11,092	788,001
Fund Balance - Beginning (Restated)	<u>90,395</u>	<u>187,525</u>	<u>583,691</u>	<u>12,933,540</u>
Fund Balance - Ending	<u>\$ 92,752</u>	<u>\$ 129,297</u>	<u>\$ 594,783</u>	<u>\$ 13,721,541</u>
Composition of Fund Balance				
Bank Balance	\$ 92,752	\$ 129,297	\$ 19,414	\$ 13,171,797
Less: Outstanding Checks				(25,625)
Certificates of Deposit			575,369	575,369
Fund Balance - Ending	<u>\$ 92,752</u>	<u>\$ 129,297</u>	<u>\$ 594,783</u>	<u>\$ 13,721,541</u>

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

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**SHELBY COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2020

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Shelby County includes all budgeted and unbudgeted funds under the control of the Shelby 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 following entities: Shelby County 109 Taxing District and Shelby County E911 Advisory Board 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. Audits of the following entities can be obtained from the Shelby County Fiscal Court: 419 East Washington Street, Shelbyville, KY 40065.

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. The general obligation refunding bond fund has been combined with the general fund for reporting purposes. The purpose of this fund is to account for debt service requirements of the general obligation refunding bonds, series 2012.

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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

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

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.

Ambulance Fund - The primary purpose of this fund is to account for ambulance disbursements of the county. The primary source of receipts for this fund is charges for services.

Special Fund - The primary purpose of this fund is to account for special projects of the county. The primary source of receipts for this fund is federal and state grants.

Transient Room Tax Fund - The primary purpose of this fund is to account for the transient room tax of the county. The primary source of receipts for this fund is the transient room tax.

KACoLT Leasing Trust Fund - The primary purpose of this fund is to account for debt payments made by Mt. Eden Fire District. The primary source of receipts for this fund is payments from Mt. Eden Fire District.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

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

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit and to enhance the well-being of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Commissary Fund.

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

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information

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

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

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

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

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

E. Shelby County Elected Officials

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

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

SHELBY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(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.

Note 2. Deposits

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

Custodial Credit Risk - Deposits

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

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

Note 3. Transfers

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

	General Fund	Total Transfers In
	<u> </u>	<u> </u>
Road Fund	\$ 1,055,000	\$ 1,055,000
Jail Fund	1,135,000	1,135,000
Ambulance Fund	<u>1,232,000</u>	<u>1,232,000</u>
 Total Transfers Out	 <u>\$ 3,422,000</u>	 <u>\$ 3,422,000</u>

Reason for transfers:

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

Note 4. Custodial Funds

Custodial funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. In accordance with the regulatory basis of accounting, custodial funds are not presented in the financial statement. The fiscal court has one custodial fund the jail inmate fund. This fund accounts for funds received from the inmates. The balance in the jail inmate account funds as of June 30, 2020 was \$4,389.

Note 5. Private Purpose Trust Funds

Private-purpose trust funds, are used to report all trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

The fiscal court has the following private purpose trust fund:

Kings Daughter - Fiscal Court Scholarship Fund - This fund was established November 30, 1987 by Shelby County Fiscal Court after the selling of Kings Daughter Hospital in Shelbyville, KY. Some of the funds were placed in interest bearing accounts and all interest received is to be used toward providing scholarships for students that plan on choosing a profession in the medical field. The Kings Daughter - Fiscal Court Scholarship Committee is incorporated and is governed by by-laws that were established and approved by its original seven committee members in 1987. The balance of the scholarship fund at June 30, 2020 was \$594,783.

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

Note 6. Long-term Debt

A. Direct Borrowings and Direct Placements

1. Mt. Eden Fire District

On September 11, 2000, the Shelby County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) Program for \$98,000. The purpose of the lease was for the construction of a firehouse. In event of default, the lessor may terminate the lease and give notice to vacate or surrender the project within 60 days, recover the lease payments which would have otherwise been payable during the lease period, sell/sublease the project, or by bringing suit. The project was subleased to the Mt. Eden Fire District. The Mt. Eden Fire District gives the county enough money to cover the annual debt service payments required. The county then pays this money to the trustee. The balance of the receivable and the liability at June 30, 2020 was \$36,000.

Fiscal Year Ended June 30	Principal	Scheduled Interest
2021	\$ 5,000	\$ 1,938
2022	6,000	1,573
2023	6,000	1,203
2024	6,000	833
2025	6,000	463
2026	7,000	36
Totals	<u>\$ 36,000</u>	<u>\$ 6,046</u>

2. Park Building HVAC System

On May 15, 2014, the Shelby County Fiscal Court entered into a lease agreement for \$425,000 with the Kentucky Association of Counties Leasing Trust (KACoLT) Program for the purchase of an HVAC system for a building owned by the county that is being used by the Shelbyville Shelby County Parks and Recreation Commission (Commission). The county does not have a formal agreement with the commission; however, the commission has agreed to make monthly lease payments directly to the lender. The term for this agreement is seven years with the balance to be paid in full May 20, 2021. The lease has a fixed interest rate of 3.54% per annum. In the event of default, the lessor may terminate the lease and recover the lease payments which would have otherwise been payable during the lease period, or sell/sublease the project for the account of the lessee yet holding the lessee liable for all lease payments that would be due under the lease for which any proceeds of the sale/lease of the project does not provide. Principal and interest requirements for the lease are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2021	<u>\$ 60,473</u>	<u>\$ 1,075</u>
Totals	<u>\$ 60,473</u>	<u>\$ 1,075</u>

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

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

3. Park Roof Project

On November 1, 2019, the Shelby County Fiscal Court entered into a lease agreement for \$400,000 with the Kentucky Association of Counties Lease Trust (KACoLT) Program for the replacement of roofing on building owned by the county that is being used by the Shelbyville Shelby County Parks and Recreation Commission. The term for this agreement is ten years with the balance to be paid in full August 20, 2029. The lease has a fixed interest rate of 3.80% per annum. In the event of default, the lessor may terminate the lease and recover the lease payments which would have otherwise been payable during the lease period, or sell/sublease the project for the account of the lessee yet holding the lessee liable for all lease payments that would be due under the lease for which any proceeds of the sale/lease of the project does not provide. Principal and interest requirements for the lease are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2021	\$	\$ 2,538
2022	38,736	15,222
2023	40,053	13,748
2024	41,415	12,224
2025	42,823	10,651
2026-2030	<u>236,973</u>	<u>27,658</u>
Totals	<u>\$ 400,000</u>	<u>\$ 82,041</u>

B. Other Debt

1. First Mortgage Revenue Bonds, Series 2008

On November 1, 2008, the Shelby County Public Corporation issued \$9,750,000 of First Mortgage Revenue Bond, Series 2008, for the purpose of funding the construction of a justice center. The Public Properties Corporation entered into an agreement with the Administrative Office of the Courts (AOC) for the payments to be made by AOC while being tenants of the building. These bonds were issued at varying interest rates ranging from 3.50% to 4.25% and will be retired on November 1, 2019. Interest payments are due May 1 and interest and principal payments are due on November 1. These bonds were partially refunded by First Mortgage Bonds, Series 2016. Principal payment requirements and scheduled interest for the bond was paid in full during fiscal year 2020.

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

Note 6. Long-term Debt (Continued)

B. Other Debt (Continued)

2. First Mortgage Revenue Bonds, Series 2009

On March 1, 2009, the Shelby County Public Corporation issued \$12,285,000 of First Mortgage Revenue Bonds, Series 2009, for the purpose of funding the construction of a justice center. The Public Properties Corporation entered into an agreement with the Administrative Office of the Courts (AOC) for the payments to be made by AOC while being tenants of the building. These bonds were issued at varying interest rates ranging from 2% to 4.4%, and will be retired by November 1, 2020. These bonds were partially refunded by First Mortgage Revenue Bonds, Series 2017. Interest payments are due May 1 and interest and principal payments are due November 1. In the event of default, by enforcement of the foreclosable mortgage lien on the project site and improvements granted by the mortgage, and in such event the trustee will take over possession, custody and control of the project and will operate or carry out decretal sale of same with due regard to state and federal law and the covenants contained in the lease for the benefit of the owners of the bonds; or by bringing suit. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2021	\$ 645,000	\$ 11,933
Totals	<u>\$ 645,000</u>	<u>\$ 11,933</u>

3. General Obligation Refunding Bonds, Series 2012

On December 19, 2012, the Shelby County Fiscal Court issued \$6,685,000 of General Obligation Refunding Bonds, Series 2012, for the purpose of refunding the 2005 lease for the detention center and the 2010 lease for the family activity center. These bonds were issued at varying interest rates ranging from 1% to 3%, and will be retired March 2, 2027. Interest payments are due on April 1 and interest and principal payments are due on October 1. In the event of default, by enforcement of the foreclosable mortgage lien on the project site and improvements granted by the mortgage, and in such event the trustee will take over possession, custody and control of the project and will operate or carry out decretal sale of same with due regard to state and federal law and the covenants contained in the lease for the benefit of the owners of the bonds; or by bringing suit. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2021	\$ 460,000	\$ 89,700
2022	470,000	80,500
2023	480,000	71,100
2024	490,000	61,500
2025	505,000	46,800
2026-2027	<u>1,055,000</u>	<u>47,700</u>
Totals	<u>\$ 3,460,000</u>	<u>\$ 397,300</u>

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

Note 6. Long-term Debt (Continued)

B. Other Debt (Continued)

4. First Mortgage Revenue Bonds, Series 2016

On June 15, 2016, the Shelby County Public Corporation issued \$6,450,000 of First Mortgage Revenue Bonds, Series 2016, for the purpose of partially refunding the First Mortgage Revenue Bonds, Series 2008. These bonds were issued at varying interest rates ranging from 2% to 3%, and will be retired by November 1, 2029. Interest payments are due May 1 and interest and principal payments are due November 1. In the event of default, by enforcement of the foreclosable mortgage lien on the project site and improvements granted by the mortgage, and in such event the trustee will take over possession, custody and control of the project and will operate or carry out decretal sale of same with due regard to state and federal law and the covenants contained in the lease for the benefit of the owners of the bonds; or by bringing suit. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2021	\$ 575,000	\$ 139,369
2022	585,000	127,769
2023	595,000	115,969
2024	610,000	103,919
2025	620,000	91,619
2026-2030	3,415,000	246,047
Totals	<u>\$ 6,400,000</u>	<u>\$ 824,692</u>

5. First Mortgage Revenue Bonds, Series 2017

On June 7, 2017, the Shelby County Public Corporation issued \$6,639,000 of First Mortgage Revenue Bonds, Series 2017, for the purpose of partially refunding the First Mortgage Revenue Bonds, Series 2009. These bonds were issued at interest rate of 2.07% and will be retired by November 1, 2028. Interest payments are due May 1 and interest and principal payments are due November 1. In the event of default, by enforcement of the foreclosable mortgage lien on the project site and improvements granted by the mortgage, and in such event the trustee will take over possession, custody and control of the project and will operate or carry out decretal sale of same with due regard to state and federal law and the covenants contained in the lease for the benefit of the owners of the bonds; or by bringing suit. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2021	\$	\$ 137,427
2022	648,000	130,721
2023	803,000	115,703
2024	821,000	98,894
2025	838,000	81,724
2026-2029	3,529,000	147,974
Totals	<u>\$ 6,639,000</u>	<u>\$ 712,443</u>

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

Note 6. Long-term Debt (Continued)

C. Changes In Long-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 165,737	\$ 400,000	\$ 69,264	\$ 496,473	\$ 65,473
Other Debt	18,719,000		1,575,000	17,144,000	1,680,000
Total Long-term Debt	<u>\$ 18,884,737</u>	<u>\$ 400,000</u>	<u>\$ 1,644,264</u>	<u>\$ 17,640,473</u>	<u>\$ 1,745,473</u>

D. Aggregate Debt Schedule

Fiscal Year Ended June 30	Other Debt		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2021	\$ 1,680,000	\$ 378,429	\$ 65,473	\$ 5,551
2022	1,703,000	338,990	44,736	16,795
2023	1,878,000	302,772	46,053	14,951
2024	1,921,000	264,313	47,415	13,057
2025	1,963,000	220,143	48,823	11,114
2026-2030	7,999,000	441,721	243,973	27,694
Totals	<u>\$ 17,144,000</u>	<u>\$ 1,946,368</u>	<u>\$ 496,473</u>	<u>\$ 89,162</u>

Note 7. 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 8. Employee Retirement System

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute.

The county's contribution for FY 2018 was \$1,672,705; FY 2019 was \$1,986,152; and FY 2020 was \$2,209,605.

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

Note 8. Employee Retirement System (Continued)

Nonhazardous

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

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

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

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

Hazardous

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

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

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

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

Note 8. Employee Retirement System (Continued)

Hazardous (Continued)

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

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

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

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

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

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

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

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

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

Note 8. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

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

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

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

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

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

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

D. Cost of Living Adjustments - Tier 1

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

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

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

F. Death Benefit

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

KRS Annual Financial Report and Proportionate Share Audit Report

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

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

Note 8. Employee Retirement System (Continued)

KRS Annual Financial Report and Proportionate Share Audit Report (Continued)

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

Note 9. Deferred Compensation

The Shelby 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 10. Flexible Spending Account

The Shelby County Fiscal Court established a flexible spending account in 2006 to provide employees an additional health benefit. Employees are allowed to have a maximum of \$5,000 withheld pre-tax from their paychecks to use toward healthcare or dependent care expenses. The FSA is administered through the state's Kentucky Employee's Health Plan, along with their health insurance.

Note 11. Insurance

For the fiscal year ended June 30, 2020, the Shelby 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.

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

Note 12. Conduit Debt

From time to time the county has issued bonds to provide financial assistance to various entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest, in accordance with KRS 103.210. This debt may take the form of certain types of limited-obligation revenue bonds, certificates of participation, or similar debt instruments. Although conduit debt obligations bear the Shelby County Fiscal Court's name as issuer, the fiscal court has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf it is issued. Neither the fiscal court nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statement. The amount outstanding as of June 30, 2020 is not reasonably determinable.

Note 13. Tax Abatement

The occupational tax was abated under the authority of Kentucky Business Investment Program (KBI) offered by the Kentucky Cabinet for Economic Development. SuperB IPC, LLC is eligible to receive this tax abatement due to expanding their operations in Shelby County and creating new jobs. The taxes are abated by a refund of occupational payroll tax withholdings. SuperB IPC, LLC made the following commitments to invest \$790,000 into the project and create 45 new job opportunities. For fiscal year ended June 30, 2020, the Shelby County Fiscal Court abated occupational taxes totaling \$19,176.

Note 14. Prior Period Adjustments

General Fund - Prior Year	\$ 9,795,530
Adjustments:	
Prior Year Voided Checks	<u>590</u>
Restated General Fund	<u>\$ 9,796,120</u>
Ambulance Fund - Prior Year	\$ 62,094
Adjustments:	
Prior Year Voided Checks	<u>290</u>
Restated Ambulance Fund	<u>\$ 62,384</u>

SHELBY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2020

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SHELBY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2020

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 8,438,773	\$ 8,939,374	\$ 10,134,500	\$ 1,195,126
In Lieu Tax Payments	11,000	11,000	11,366	366
Excess Fees	237,895	437,895	650,809	212,914
Licenses and Permits	169,150	169,150	213,065	43,915
Intergovernmental	823,051	823,051	888,983	65,932
Charges for Services	16,600	16,600	27,504	10,904
Miscellaneous	2,514,980	2,514,980	2,215,791	(299,189)
Interest	15,000	15,000	13,037	(1,963)
Total Receipts	<u>12,226,449</u>	<u>12,927,050</u>	<u>14,155,055</u>	<u>1,228,005</u>
DISBURSEMENTS				
General Government	4,636,351	5,207,582	4,429,555	778,027
Protection to Persons and Property	1,305,290	1,366,965	961,924	405,041
General Health and Sanitation	963,556	964,346	863,755	100,591
Social Services	321,616	351,038	190,444	160,594
Recreation and Culture	873,414	922,441	849,187	73,254
Debt Service	548,867	548,867	948,867	(400,000)
Administration	3,303,355	3,291,811	2,101,268	1,190,543
Total Disbursements	<u>11,952,449</u>	<u>12,653,050</u>	<u>10,345,000</u>	<u>2,308,050</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>274,000</u>	<u>274,000</u>	<u>3,810,055</u>	<u>3,536,055</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds			400,000	400,000
Transfers To Other Funds	<u>(4,774,000)</u>	<u>(4,774,000)</u>	<u>(3,422,000)</u>	<u>1,352,000</u>
Total Other Adjustments to Cash (Uses)	<u>(4,774,000)</u>	<u>(4,774,000)</u>	<u>(3,022,000)</u>	<u>1,752,000</u>
Net Change in Fund Balance	(4,500,000)	(4,500,000)	788,055	5,288,055
Fund Balance - Beginning (Restated)	<u>4,500,000</u>	<u>4,500,000</u>	<u>9,796,120</u>	<u>5,296,120</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 10,584,175</u>	<u>\$ 10,584,175</u>

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

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,746,807	\$ 1,966,807	\$ 2,134,726	\$ 167,919
Miscellaneous	7,000	7,000	19,114	12,114
Interest	5,000	5,000	5,447	447
Total Receipts	<u>1,758,807</u>	<u>1,978,807</u>	<u>2,159,287</u>	<u>180,480</u>
DISBURSEMENTS				
Protection to Persons and Property	1,500	1,500	1,245	255
Roads	2,467,760	3,067,760	2,874,381	193,379
Administration	702,557	608,245	423,640	184,605
Total Disbursements	<u>3,171,817</u>	<u>3,677,505</u>	<u>3,299,266</u>	<u>378,239</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,413,010)</u>	<u>(1,698,698)</u>	<u>(1,139,979)</u>	<u>558,719</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>1,300,000</u>	<u>1,300,000</u>	<u>1,055,000</u>	<u>(245,000)</u>
Total Other Adjustments to Cash (Uses)	<u>1,300,000</u>	<u>1,300,000</u>	<u>1,055,000</u>	<u>(245,000)</u>
Net Change in Fund Balance	(113,010)	(398,698)	(84,979)	313,719
Fund Balance - Beginning	<u>113,010</u>	<u>398,698</u>	<u>1,503,846</u>	<u>1,105,148</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,418,867</u>	<u>\$ 1,418,867</u>

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

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 2,551,325	\$ 2,551,325	\$ 2,591,173	\$ 39,848
Charges for Services	180,000	180,000	116,776	(63,224)
Miscellaneous	150,000	150,000	119,348	(30,652)
Interest	100	100	87	(13)
Total Receipts	<u>2,881,425</u>	<u>2,881,425</u>	<u>2,827,384</u>	<u>(54,041)</u>
DISBURSEMENTS				
Protection to Persons and Property	3,054,748	3,054,748	2,911,196	143,552
Administration	1,411,677	1,411,677	1,063,650	348,027
Total Disbursements	<u>4,466,425</u>	<u>4,466,425</u>	<u>3,974,846</u>	<u>491,579</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,585,000)</u>	<u>(1,585,000)</u>	<u>(1,147,462)</u>	<u>437,538</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>1,585,000</u>	<u>1,585,000</u>	<u>1,135,000</u>	<u>(450,000)</u>
Total Other Adjustments to Cash (Uses)	<u>1,585,000</u>	<u>1,585,000</u>	<u>1,135,000</u>	<u>(450,000)</u>
Net Change in Fund Balance			(12,462)	(12,462)
Fund Balance - Beginning			<u>56,940</u>	<u>56,940</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 44,478</u>	<u>\$ 44,478</u>

SHELBY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2020
(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	\$ 35,000	\$ 35,000	\$ 114,032	\$ 79,032
Interest	175	175	438	263
Total Receipts	<u>35,175</u>	<u>35,175</u>	<u>114,470</u>	<u>79,295</u>
DISBURSEMENTS				
Roads	<u>35,175</u>	<u>35,175</u>		<u>35,175</u>
Total Disbursements	<u>35,175</u>	<u>35,175</u>		<u>35,175</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			<u>114,470</u>	<u>114,470</u>
Net Change in Fund Balance			114,470	114,470
Fund Balance - Beginning			<u>389,302</u>	<u>389,302</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 503,772</u>	<u>\$ 503,772</u>

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

	AMBULANCE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 10,000	\$ 10,000	\$ 10,000	\$
Charges for Services	1,625,000	1,625,000	1,631,785	6,785
Miscellaneous	3,000	3,000	55,947	52,947
Interest	50	50	5	(45)
Total Receipts	<u>1,638,050</u>	<u>1,638,050</u>	<u>1,697,737</u>	<u>59,687</u>
DISBURSEMENTS				
Protection to Persons and Property	2,124,137	2,124,137	1,888,969	235,168
Administration	1,452,913	1,452,913	1,025,991	426,922
Total Disbursements	<u>3,577,050</u>	<u>3,577,050</u>	<u>2,914,960</u>	<u>662,090</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,939,000)</u>	<u>(1,939,000)</u>	<u>(1,217,223)</u>	<u>721,777</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>1,889,000</u>	<u>1,889,000</u>	<u>1,232,000</u>	<u>(657,000)</u>
Total Other Adjustments to Cash (Uses)	<u>1,889,000</u>	<u>1,889,000</u>	<u>1,232,000</u>	<u>(657,000)</u>
Net Change in Fund Balance	(50,000)	(50,000)	14,777	64,777
Fund Balance - Beginning (Restated)	<u>50,000</u>	<u>50,000</u>	<u>62,384</u>	<u>12,384</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 77,161</u>	<u>\$ 77,161</u>

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

	SPECIAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$ 265	\$ 265	\$	\$ (265)
Total Receipts	265	265		(265)
DISBURSEMENTS				
General Government	260,265	260,265		260,265
Total Disbursements	260,265	260,265		260,265
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(260,000)	(260,000)		260,000
Net Change in Fund Balance	(260,000)	(260,000)		260,000
Fund Balance - Beginning	260,000	260,000	263,046	3,046
Fund Balance - Ending	\$ 0	\$ 0	\$ 263,046	\$ 263,046

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

TRANSIENT ROOM TAX FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 175,000	\$ 175,000	\$ 186,672	\$ 11,672
Interest	50	50	236	186
Total Receipts	<u>175,050</u>	<u>175,050</u>	<u>186,908</u>	<u>11,858</u>
DISBURSEMENTS				
Recreation and Culture	<u>175,050</u>	<u>175,050</u>	<u>173,989</u>	<u>1,061</u>
Total Disbursements	<u>175,050</u>	<u>175,050</u>	<u>173,989</u>	<u>1,061</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			<u>12,919</u>	<u>12,919</u>
Net Change in Fund Balance			12,919	12,919
Fund Balance - Beginning			<u>224</u>	<u>224</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 13,143</u>	<u>\$ 13,143</u>

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

KACOLT LEASING TRUST FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
DISBURSEMENTS				
Debt Service	\$ 7,246	\$ 7,246	\$ 7,246	\$
Total Disbursements	<u>7,246</u>	<u>7,246</u>	<u>7,246</u>	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(7,246)</u>	<u>(7,246)</u>	<u>(7,246)</u>	
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds	<u>7,246</u>	<u>7,246</u>	<u>7,246</u>	
Total Other Adjustments to Cash (Uses)	<u>7,246</u>	<u>7,246</u>	<u>7,246</u>	
Net Change in Fund Balance				
Fund Balance - Beginning			<u>67</u>	<u>67</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 67</u>	<u>\$ 67</u>

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

June 30, 2020

Note 1. Budgetary Information

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

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

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

Note 2. Excess of Disbursements Over Appropriations

The general fund, debt service line item, exceeded budgeted appropriations by \$400,000.

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**SHELBY COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For The Year Ended June 30, 2020

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SHELBY COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity's Identifying Number	Provided to Subrecipient	Total Federal Expenditures
<u>U. S. Department of Homeland Security</u>				
<i>Direct Program</i>				
Emergency Management Performance Grants (2018)	97.042	EMA-2018-EP-00006-S01	\$	\$ 17,338
Emergency Management Performance Grants (2019)	97.042	EMA-2019-EP-00008-S01		23,643
Total U.S. Department of Homeland Security				40,981
<u>U. S. Department of Transportation</u>				
<i>Passed-Through Kentucky Department for Local Government</i>				
Recreational Trials Program - Phase II	20.219	RTP#529.16		8,343
Recreational Trials Program - Phase III	20.219	RTP#557-18		100,000
Total U.S. Department of Transportation Cabinet				108,343
<u>U. S. Department of Treasury</u>				
<i>Passed-Through Kentucky Department for Local Government</i>				
Covid-19 - Provider Relief Fund	93.498	C.A.R.E.S STIMULUS		44,512
Covid-19 - Coronavirus Relief Fund	21.019	C066 SHELBY COUNTY		1,153,559
Total U.S. Department of Treasury				1,198,071
Total Expenditures of Federal Awards			\$ 0	\$ 1,347,395

The accompanying notes are an integral part of this schedule

SHELBY COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2020

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Shelby County, Kentucky under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Shelby County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Shelby County, Kentucky.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rate

Shelby County has elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

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

For The Year Ended June 30, 2020

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SHELBY COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2020

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 3,072,412	\$ 173,535	\$	\$ 3,245,947
Buildings	43,826,460			43,826,460
Vehicles	5,227,859	217,899	210,956	5,234,802
Equipment	5,316,095	606,963		5,923,058
Infrastructure	22,305,034	1,509,325		23,814,359
 Total Capital Assets	 <u>\$ 79,747,860</u>	 <u>\$ 2,507,722</u>	 <u>\$ 210,956</u>	 <u>\$ 82,044,626</u>

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

June 30, 2020

Note 1. Capital Assets

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

	<u>Capitalization Threshold</u>	<u>Useful Life (Years)</u>
Land	\$ 1	N/A
Land Improvements	\$ 25,000	10-60
Buildings	\$ 50,000	10-75
Building Improvements	\$ 50,000	10-40
Machinery & Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	5

**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 Dan Ison, Shelby County Judge/Executive
Members of the Shelby 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 Shelby County Fiscal Court for the fiscal year ended June 30, 2020, and the related notes to the financial statement which collectively comprise the Shelby County Fiscal Court's financial statement and have issued our report thereon dated September 20, 2021.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified a certain deficiency in internal control, which is described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency as item 2020-001.



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

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Shelby County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Views of Responsible Official and Planned Corrective Action

Shelby County's views and planned corrective action for the finding identified in our audit are included in the accompanying Schedule of Findings and Questioned Costs. 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,



Farrah Petter
Assistant Auditor of Public Accounts

September 20, 2021

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable, Dan Ison County Judge/Executive
Members of the Shelby County Fiscal Court

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

Independent Auditor's Report

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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



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

Opinion on Each Major Federal Program

In our opinion, the Shelby County Fiscal Court complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Farrah Petter
Assistant Auditor of Public Accounts

September 20, 2021

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

For The Year Ended June 30, 2020

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SHELBY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2020

Section I: Summary of Auditor's Results

Financial Statement

Type of report auditor issued: Adverse on GAAP and Unmodified on Regulatory Basis

Internal control over financial reporting:

Are any material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are any significant deficiencies identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None Reported
Are any noncompliances material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Federal Awards

Internal control over major programs:

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
21.019	Coronavirus Relief Funds For States

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000	
Auditee qualified as a low-risk auditee?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

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

Section II: Financial Statement Finding

Internal Control - Significant Deficiency

2020-001 The Shelby County Fiscal Court Did Not Properly Account For All Debt Activity And Exceeded Their Budget

The Shelby County Fiscal Court did not properly budget and account for the activity of a new roof for the park in the amount of \$400,000. The general fund debt activity line item was over budget by the \$400,000 amount related to the project.

The vendor was paid \$400,000 directly by the Kentucky Association of Counties (KACo), therefore the county treasurer was unaware she needed to include the amount on the receipts and disbursements ledger. The receipt and disbursement ledgers for the fiscal year were understated by \$400,000 and overspent their budget for all debt activity in the general fund.

Good internal controls dictate that the county implement procedures to ensure all debt activity is properly reported and expenditures are within their approved budget. Per the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual*, the fiscal court should properly budget and account for all debt service payments. 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.

We recommend the Shelby County Fiscal Court properly budget and account for all debt service payments, all borrowed money, and any related purchases. Further, we recommend the county monitor their budget for any needed amendments to avoid future overages related to debt service lines.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The Park obtained a loan using the fiscal court's Tax ID number, upon notice of this loan, I requested from court permission to add in a new revenue line, appropriation line, and to add the pre-approved standing orders on 12/3/2021. I did not add in dollar amounts to these funds or conduct a budget amendment for payments for the remainder of FY 2019-2020, as we were just a pass through for payments for the park. The payment amounts for principle and interest were placed in the new fiscal year budget of 2020-2021, this issue has been resolved. Also, the amount stated in the above finding states \$400,000, those funds were not received by SCFC but by the park, the only amount the SCFC would receive and pay in FY 19-20, would have been \$8,837.78 not the full \$400,000, we ask that you please correct this amount in your findings.

Auditor's Reply: The Park is a part of the general fund of the Shelby County Fiscal Court. Per the DLG *County Budget Preparation and State Local Finance Officer Policy Manual*, all debt should be budgeted and amendments approved, if necessary.

Section III: Federal Awards Findings

None.

Section IV: Schedule of Prior Year Findings

None.