

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

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



**MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)**

**209 ST. CLAIR STREET  
FRANKFORT, KY 40601-1817  
TELEPHONE (502) 564-5841  
FACSIMILE (502) 564-2912**



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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 Mason Barnes, Simpson County Judge/Executive  
Members of the Simpson 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 Simpson County Fiscal Court, for the year ended June 30, 2021, and the related notes to the financial statement, which collectively comprise the Simpson 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 Simpson 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 Simpson 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 Simpson 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 Simpson County Fiscal Court. The Budgetary Comparison Schedules and the Schedule of Expenditures of Federal Awards (supplementary information), as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Schedule of Capital Assets (other information) are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

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

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

*Supplementary and Other Information (Continued)*

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2022, on our consideration of the Simpson 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 Simpson County Fiscal Court's internal control over financial reporting and compliance.

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

2021-001 The Simpson County Fiscal Court Did Not Appropriately Account For All Debt Service Activity

Respectfully submitted,



Mike Harmon  
Auditor of Public Accounts

January 26, 2022

**SIMPSON COUNTY OFFICIALS**

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

**Fiscal Court Members:**

Mason Barnes	County Judge/Executive
Marty Chandler	Magistrate
Nathaniel Downey	Magistrate
Scott Poston	Magistrate
Myron Thurman	Magistrate

**Other Elected Officials:**

Sam Phillips	County Attorney
Eric Vaughn	Jailer
Jolene Thurman	County Clerk
Beth Fiss	Circuit Court Clerk
Jere Dee Hopson	Sheriff
Alison Cummings	Property Valuation Administrator
Kevin Gilbert	Coroner

**Appointed Personnel:**

Nicole Law	County Treasurer
Michelle Henderson	Finance Officer
Pam Rohrs	Executive Secretary



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

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

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

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

	<u>Budgeted Funds</u>		
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
<b>RECEIPTS</b>			
Taxes	\$ 5,490,300	\$	\$
In Lieu Tax Payments	40,650		
Licenses and Permits	197,087	30,355	
Intergovernmental	2,853,915	1,666,544	2,311,639
Charges for Services			123,559
Miscellaneous	108,994	98,433	205,674
Interest	9,423	1,365	227
Total Receipts	<u>8,700,369</u>	<u>1,796,697</u>	<u>2,641,099</u>
<b>DISBURSEMENTS</b>			
General Government	6,000,156		
Protection to Persons and Property	943,059		2,639,388
General Health and Sanitation	495,470		
Social Services	54,578		
Recreation and Culture	289,763		
Transportation Facility and Services		8,515	
Roads		1,145,087	
Debt Service	440,006		395,437
Capital Projects	56,736	169,045	
Administration	351,767	179,726	858,172
Total Disbursements	<u>8,631,535</u>	<u>1,502,373</u>	<u>3,892,997</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>68,834</u>	<u>294,324</u>	<u>(1,251,898)</u>
<b>Other Adjustments to Cash (Uses)</b>			
Bond Proceeds or Financing Obligation Proceeds	5,070,000		
Deposit To Escrow Account For Defeasement	(3,401,943)		
Bond Discount	(31,688)		
Transfers From Other Funds	931,250		1,125,331
Transfers To Other Funds	(1,125,331)		
Total Other Adjustments to Cash (Uses)	<u>1,442,288</u>		<u>1,125,331</u>
Net Change in Fund Balance	1,511,122	294,324	(126,567)
Fund Balance - Beginning (Restated)	2,583,933	600,964	174,608
Fund Balance - Ending	<u>\$ 4,095,055</u>	<u>\$ 895,288</u>	<u>\$ 48,041</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 3,896,258	\$ 797,972	\$ 50,458
Less: Outstanding Checks	(16,989)	(9,717)	(2,417)
Certificates of Deposit	215,786	107,033	
Fund Balance - Ending	<u>\$ 4,095,055</u>	<u>\$ 895,288</u>	<u>\$ 48,041</u>

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

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

Budgeted Funds				Unbudgeted Funds		
Local Government Economic Assistance Fund	Federal Grant Fund	911 Fund	ARPA Fund	Justice Center Corporation Fund	Jail Commissary Fund	Total Funds
\$	\$	\$ 191,001	\$	\$	\$	\$ 5,681,301
						40,650
						227,442
206,895	3,574,507			796,636		11,410,136
						123,559
					134,283	547,384
429				32		11,476
<u>207,324</u>	<u>3,574,507</u>	<u>191,001</u>		<u>796,668</u>	<u>134,283</u>	<u>18,041,948</u>
	10,090					6,010,246
		185,025				3,767,472
						495,470
						54,578
					121,495	411,258
129,801						8,515
						1,274,888
				796,136		1,631,579
	835,140			15,594		1,076,515
	28			1,000		1,390,693
<u>129,801</u>	<u>845,258</u>	<u>185,025</u>		<u>812,730</u>	<u>121,495</u>	<u>16,121,214</u>
77,523	2,729,249	5,976		(16,062)	12,788	1,920,734
						5,070,000
						(3,401,943)
						(31,688)
			1,803,697			3,860,278
	(2,734,947)					(3,860,278)
	(2,734,947)		1,803,697			1,636,369
77,523	(5,698)	5,976	1,803,697	(16,062)	12,788	3,557,103
190,149	7,956	41,665		307,443	134,507	4,041,225
<u>\$ 267,672</u>	<u>\$ 2,258</u>	<u>\$ 47,641</u>	<u>\$ 1,803,697</u>	<u>\$ 291,381</u>	<u>\$ 147,295</u>	<u>\$ 7,598,328</u>
\$ 267,672	\$ 2,258	\$ 47,641	\$ 1,803,697	\$ 291,381	\$ 213,029	\$ 7,370,366
					(65,734)	(94,857)
						322,819
<u>\$ 267,672</u>	<u>\$ 2,258</u>	<u>\$ 47,641</u>	<u>\$ 1,803,697</u>	<u>\$ 291,381</u>	<u>\$ 147,295</u>	<u>\$ 7,598,328</u>

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

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**SIMPSON COUNTY  
NOTES TO FINANCIAL STATEMENT**

**June 30, 2021**

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

**A. Reporting Entity**

The financial statement of Simpson County includes all budgeted and unbudgeted funds under the control of the Simpson 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 Simpson County Tourism 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, it is no longer a required component 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.

**SIMPSON 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 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.

Federal Grant Fund - The primary purpose of this fund is to account for federal grants and related disbursements. The primary sources of receipts for this fund is the federal government.

911 Fund - The primary purpose of this fund is to account for the dispatch expenses of the county. The primary source of receipts for this fund is the 911 telephone surcharge.

ARPA Fund - The primary purpose of this fund to account for the ARPA funds expended by the county. The primary source of receipts for this fund is the federal government ARPA payments.

**Unbudgeted Funds**

The fiscal court reports the following unbudgeted funds:

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

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

**D. Budgetary Information**

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

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.

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

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

**D. Budgetary Information (Continued)**

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 corporation fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

**E. Simpson County Elected Officials**

Kentucky law provides for election of the officials listed below from the geographic area constituting Simpson 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 Simpson 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.

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

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

**H. Related Obligations, Jointly Governed 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 Simpson County Fiscal Court:

Simpson County Ambulance District  
 Simpson County Water District

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants do not retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a jointly governed organization. Based on this criteria, the following are considered jointly governed organizations of the Simpson County Fiscal Court:

Franklin-Simpson Industrial Authority  
 Franklin-Simpson Parks Board, Inc.

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

Franklin-Simpson Planning and Zoning Commission  
 Franklin-Simpson County Planning and Zoning Adjustment 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.



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

**Note 3. Transfers**

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

	General Fund	Federal Grant Fund	Total Transfers In
General Fund	\$	\$ 931,250	\$ 931,250
Jail Fund	1,125,331		1,125,331
ARPA Fund		1,803,697	1,803,697
Total Transfers Out	<u>\$ 1,125,331</u>	<u>\$ 2,734,947</u>	<u>\$ 3,860,278</u>

Reason for transfers:

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

**Note 4. Custodial Funds**

Custodial funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments.

The fiscal court has the following custodial fund.

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2021 was \$129,076.

**Note 5. Receivable**

On June 28, 2012, the Simpson County Fiscal Court issued \$6,275,000 of taxable general obligation refunding and improvement bonds, series 2012, for the purpose of refunding and retiring debt of the Franklin-Simpson Industrial Authority, a jointly governed organization of the fiscal court. The fiscal court has entered into an inter-local agreement with the industrial authority requiring the industrial authority to make payments to the fiscal court for the amount of the bond payments. The terms of the agreement require payments to the fiscal court on or before May 20 and November 20 each year beginning November 20, 2012, until the bonds are paid in full. The maturity date of the bonds is June 1, 2032. In addition, the industrial authority shall remit to the fiscal court the net proceeds from the sale of any of the property the debt was retired using the bond proceeds unless a written waiver is obtained from the fiscal court. On November 7, 2017, the fiscal court voted to authorize a former county judge/executive to sign the waiver allowing the industrial authority to retain the net proceeds from the sale of ten acres in the Henderson Industrial Park for \$299,620. The 2012 taxable general obligation refunding and improvement bonds were partially defeased on May 26, 2021 with the general obligation refunding and improvement bonds, series 2021, in the amount of \$5,070,000. These bonds fall under the same inter-local agreement with the industrial authority and same payment requirements by the industrial authority. As of June 30, 2021, the principal balance due from the Franklin-Simpson Industrial Authority was \$5,670,000 with \$330,000 principal due within one year.

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

**Note 5. Receivable (Continued)**

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Industrial Authority	\$ 4,170,000	\$ 1,790,000	\$ 290,000	\$ 5,670,000	330,000
Total Receivable	<u>\$ 4,170,000</u>	<u>\$ 1,790,000</u>	<u>\$ 290,000</u>	<u>\$ 5,670,000</u>	<u>\$ 330,000</u>

**Note 6. Long-term Debt**

**A. Direct Borrowings and Direct Placements**

**1. General Obligation Lease, Series 2011**

On August 23, 2011, the Simpson County Fiscal Court entered into a general obligation lease agreement in the amount of \$375,300 with a bank. The agreement was for the purpose of advance refunding financing of the detention facility renovation and addition. The principal was \$375,300 at 3.24 percent interest rate for a period of 12 years, interest paid semi-annually and principal paid annually. The maturity date of the obligation is June 1, 2023. In the event of default, the lessor may enforce levied funds on all taxable property of the lessee, in addition to all other taxes, without limitation as to the rate or amount, a direct tax annually in the amount sufficient to pay the lease rental payments when and as due, to sell or re-lease the project or any portion thereof, or take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the project under the lease. As of June 30, 2021, the principal balance was \$77,555. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 36,664	\$ 2,513
2023	<u>40,891</u>	<u>1,325</u>
Totals	<u>\$ 77,555</u>	<u>\$ 3,838</u>

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

**Note 6. Long-Term Debt (Continued)**

**B. Other Debt**

**1. General Obligation Public Project Refunding Bonds, Series 2010**

On June 3, 2010, the Simpson County Fiscal Court issued \$3,610,000 of general obligation public project refunding bonds, series 2010, for the purpose of advanced refunding of the detention facility improvement bonds, series 2000. Principal is payable annually on September 1 and interest is payable semiannually on September 1 and March 1. The interest rate is 2.75 percent. The maturity date of the bonds is September 1, 2021. The bonds contains a provision that in an event of default, outstanding amounts become immediately due if the fiscal court is unable to make payment. As of June 30, 2021, bonds outstanding were \$350,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 350,000	\$ 4,813
Totals	<u>\$ 350,000</u>	<u>\$ 4,813</u>

**2. General Obligation Refunding Improvement Bonds, Series 2012**

On June 28, 2012, the Simpson County Fiscal Court issued \$6,275,000 of taxable general obligation refunding and improvement bonds, series 2012, for the purpose of refunding and retiring debt of the Franklin-Simpson Industrial Authority, a jointly governed organization of the fiscal court. Principal is payable annually on June 1 and interest is payable semiannually on June 1 and December 1. The interest rate is variable from 2 percent to 4 percent. The original maturity date of the bonds was June 1, 2032. The fiscal court has entered into an inter-local agreement with the industrial authority requiring the industrial authority to make payments to the fiscal court for the amount of the bond payments on or before May 20 and November 20 each year. In addition, the industrial authority shall remit to the fiscal court the net proceeds from the sale of any of the property the debt was retired using the bond proceeds unless a written waiver is obtained from the fiscal court. The bonds contain a provision that in an event of default, outstanding amounts become immediately due if the fiscal court is unable to make payment. The Simpson County Fiscal Court refinanced a portion of these bonds on May 25, 2021, with the issuance of taxable general obligation refunding and improvement bonds, series 2021. As of June 30, 2021, bonds outstanding were \$600,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 295,000	\$ 18,381
2023	<u>305,000</u>	<u>9,531</u>
Totals	<u>\$ 600,000</u>	<u>\$ 27,912</u>

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

**Note 6. Long-Term Debt (Continued)**

**B. Other Debt (Continued)**

**3. General Obligation Refunding and Improvement Bonds, Series 2021**

On May 26, 2021, the Simpson County Fiscal Court issued \$5,070,000 of taxable general obligation refunding and improvement bonds, series 2021, for the purpose of partially refunding and retiring the taxable general obligation refunding and improvement bonds, Series 2012 and for additional funds for the Franklin-Simpson Industrial Authority. Principal is payable annually on June 1 and interest is payable semiannually on June 1 and December 1. Interest rate is variable from 1.4 percent to 2 percent. The maturity date of the bonds is June 1, 2036. The fiscal court has entered into an inter-local agreement with the industrial authority requiring the industrial authority to make payments to the fiscal court for the amount of the bond payments on or before May 20 and November 20 each year. The bonds contain a provision that in an event of default, outstanding amounts become immediately due if the fiscal court is unable to make payment. As of June 30, 2021, bonds outstanding were \$5,070,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 35,000	\$ 86,840
2023	35,000	85,160
2024	350,000	84,670
2025	355,000	79,770
2026	360,000	74,800
2027-2031	1,875,000	297,000
2032-2036	<u>2,060,000</u>	<u>125,300</u>
Totals	<u>\$ 5,070,000</u>	<u>\$ 833,540</u>

**4. First Mortgage Revenue Bonds, Series 2010**

On October 28, 2010, the Simpson County Justice Center Corporation, an agency and instrumentality of the Simpson County Fiscal Court created on March 20, 2001, issued \$6,000,000 of first mortgage revenue refunding bonds, series 2010, for the purpose of advance refunding the outstanding mortgage revenue bonds, series 2002 and paying the associated costs of issuing the bonds. Principal is payable annually on June 30 and interest is payable semiannually on December 31 and June 30. Interest rate is variable from 1 percent to 3.2 percent. The maturity date of the bonds is March 1, 2023. The corporation has entered into an agreement to lease the Simpson County Judicial Center to the Administrative Office of the Courts, Commonwealth of Kentucky, for approximately 100 percent of the Simpson County Judicial Center. The bonds are secured by a first foreclosable mortgage lien on the project. As of June 30, 2021, bonds outstanding were \$1,115,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 550,000	\$ 35,680
2023	<u>565,000</u>	<u>18,080</u>
Totals	<u>\$ 1,115,000</u>	<u>\$ 53,760</u>

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

**Note 6. Long-Term Debt (Continued)**

**B. Other Debt (Continued)**

**5. First Mortgage Revenue Bonds, Series 2018**

On July 17, 2018, the Simpson County Justice Center Corporation issued \$3,120,000 of first mortgage revenue bonds, series 2018 (court facility project), for the purpose to finance the construction of certain repairs and renovations to the Simpson County Judicial Center. Principal is payable annually on June 1 and interest is payable semiannually on June 1 and December 1. The bond schedule includes a variable interest rate ranging from 3.00 percent to 3.625 percent, giving an average interest rate of 3.383 percent. The maturity date of the bonds is June 1, 2038. The bonds are secured by a foreclosable first mortgage lien on the project. In the event of default, the owners of the bonds have the option to foreclose on the project site, file suit to enforce all rights of the owners of the bonds, bring suit upon the bonds, require the corporation to account as if it were the trustee of an express trust for the owners of the bonds, declare all bonds due and payable with the option to sell investment obligations of the corporation and enforcing all choices in action of the corporation to the fullest legal extent in the name of the corporation for the use and benefit of the owners of the bonds. As of June 30, 2021, the principal balance was \$2,755,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 125,000	\$ 90,956
2023	130,000	87,206
2024	130,000	83,306
2025	135,000	79,406
2026	140,000	75,357
2027-2031	775,000	309,607
2032-2036	910,000	171,925
2037-2041	410,000	22,475
Totals	<u>\$ 2,755,000</u>	<u>\$ 920,238</u>

**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
General Obligation Bonds	\$ 4,860,000	\$ 5,070,000	\$3,910,000	\$ 6,020,000	\$ 680,000
Revenue Bonds	4,520,000		650,000	3,870,000	675,000
Direct Borrowings	114,966		37,411	77,555	36,664
Total Long-term Debt	<u>\$ 9,494,966</u>	<u>\$ 5,070,000</u>	<u>\$ 4,597,411</u>	<u>\$ 9,967,555</u>	<u>\$ 1,391,664</u>

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

**Note 6. Long-Term Debt (Continued)**

**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 and Direct Placements	
	Principal	Interest	Principal	Interest
2022	\$ 1,355,000	\$ 236,670	\$ 36,664	\$ 2,513
2023	1,035,000	199,977	40,891	1,325
2024	480,000	167,976		
2026	490,000	159,176		
2026	500,000	150,157		
2027-2031	2,650,000	606,607		
2031-2036	2,970,000	297,225		
2037-2041	410,000	22,475		
Totals	<u>\$ 9,890,000</u>	<u>\$ 1,840,263</u>	<u>\$ 77,555</u>	<u>\$ 3,838</u>

**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.

The county's contribution for FY 2019 was \$907,910, FY 2020 was \$960,839, and FY 2021 was \$976,395.

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.

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

**Note 7. Employee Retirement System (Continued)**

Nonhazardous (Continued)

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.

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.

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

**Note 7. Employee Retirement System (Continued)**

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

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

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

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

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

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

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

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



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

**Note 7. Employee Retirement System (Continued)**

Other Post-Employment Benefits (OPEB) (Continued)

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

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

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

D. Cost of Living Adjustments - Tier 1

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

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

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

F. Death Benefit

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

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.

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

**Note 8. Deferred Compensation**

The Simpson 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 9. Health Reimbursement Account/Flexible Spending Account**

The Simpson County Fiscal Court, established a flexible spending account on June 25, 2014 and a health reimbursement account on May 21, 2010 to provide employees an additional health benefit. The county has contracted with a third-party administrator to administer the plan. The plan provides a debit card to each employee with either \$1,500 or \$3,000, depending on the health insurance plan chosen, to be applied to qualified medical expenses. Employees may also contribute additional pre-tax funds through payroll deduction to the flexible spending account. The balance of the plan is \$25,441.

**Note 10. Insurance**

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

**Note 11. Conduit Debt**

From time to time, the county has issued bonds and notes to provide financial assistance to various industries and to the local hospital 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 Simpson 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. As of June 30, 2021, conduit debt has been issued but the amount currently outstanding is not reasonably determinable.

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

**Note 12. Tax Abatements**

On July 3, 2018, the occupational taxes were abated under the authority of ordinance 110.6 of the Simpson County Fiscal Court for Traughber Mechanical Services for ten years. Traughber Mechanical is eligible to receive this tax abatement pursuant to the Kentucky Business Investment Program (KRS 154.32-010 to 154.32-100) only if the company creates 10 jobs or more each year. The taxes were abated by the company retaining the .75% occupational taxes otherwise derived by the fiscal court from salaries, wages, and other compensation paid to the company's employees. For fiscal year ended June 30, 2021, the fiscal court abated occupational taxes for Traughber Mechanical totaling \$0.

On August 21, 2018, the occupational taxes were abated under the authority of ordinance 110.7 of the Simpson County Fiscal Court for XYZ CBD Processing, LLC for ten years. XYZ CBD Processing, LLC is eligible to receive this tax abatement pursuant to the Kentucky Business Investment Program (KRS 154.32-010 to 154.32-100) only if the company creates 10 jobs or more each year. The taxes were abated by the company retaining the .75% occupational taxes otherwise derived by the fiscal court from salaries, wages, and other compensation paid to the company's employees. For fiscal year ended June 30, 2021, the fiscal court abated occupational taxes for XYZ CBD Processing, LLC totaling \$0.

**Note 13. Prior Period Adjustments**

	General Fund	Jail Fund	Jail Commissary Fund
Ending Balance, June 30, 2020	\$ 2,584,546	\$ 174,590	\$ 136,028
Adjustments:			
Prior Year Error	(613)		
To Remove Voided Checks		18	
To Remove Inmate Account			(13,271)
To Remove Duplicate O/S Checks			11,750
Restated Balance, June 30, 2020	<u>\$ 2,583,933</u>	<u>\$ 174,608</u>	<u>\$ 134,507</u>

**Note 14. Contingencies**

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

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

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

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

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

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Taxes	\$ 4,821,295	\$ 4,821,295	\$ 5,490,300	\$ 669,005
In Lieu Tax Payments	39,000	39,000	40,650	1,650
Licenses and Permits	149,650	149,650	197,087	47,437
Intergovernmental	2,785,906	2,785,906	2,853,915	68,009
Miscellaneous	34,009	73,904	108,994	35,090
Interest	8,050	8,050	9,423	1,373
Total Receipts	<u>7,837,910</u>	<u>7,877,805</u>	<u>8,700,369</u>	<u>822,564</u>
<b>DISBURSEMENTS</b>				
General Government	4,199,721	4,807,436	6,000,156	(1,192,720)
Protection to Persons and Property	934,986	1,029,061	943,059	86,002
General Health and Sanitation	498,119	498,119	495,470	2,649
Social Services	58,500	60,500	54,578	5,922
Recreation and Culture	294,682	294,764	289,763	5,001
Debt Service	440,007	440,007	440,006	1
Capital Projects	60,000	61,737	56,736	5,001
Administration	456,054	330,478	351,767	(21,289)
Total Disbursements	<u>6,942,069</u>	<u>7,522,102</u>	<u>8,631,535</u>	<u>(1,109,433)</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>895,841</u>	<u>355,703</u>	<u>68,834</u>	<u>(286,869)</u>
<b>Other Adjustments to Cash (Uses)</b>				
Bond Sale Proceeds			5,070,000	5,070,000
Deposit To Escrow Account For Defeasement			(3,401,943)	(3,401,943)
Bond Discount			(31,688)	(31,688)
Transfers From Other Funds			931,250	931,250
Transfers To Other Funds	(936,642)	(936,642)	(1,125,331)	(188,689)
Total Other Adjustments to Cash (Uses)	<u>(936,642)</u>	<u>(936,642)</u>	<u>1,442,288</u>	<u>2,378,930</u>
Net Change in Fund Balance	(40,801)	(580,939)	1,511,122	2,092,061
Fund Balance - Beginning (Restated)	<u>40,801</u>	<u>511,198</u>	<u>2,583,933</u>	<u>2,072,735</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (69,741)</u>	<u>\$ 4,095,055</u>	<u>\$ 4,164,796</u>

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

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Licenses and Permits	\$ 26,000	\$ 26,000	\$ 30,355	\$ 4,355
Intergovernmental	1,532,571	1,634,965	1,666,544	31,579
Miscellaneous	2,600	2,600	98,433	95,833
Interest	2,600	2,600	1,365	(1,235)
Total Receipts	<u>1,563,771</u>	<u>1,666,165</u>	<u>1,796,697</u>	<u>130,532</u>
<b>DISBURSEMENTS</b>				
Transportation Facilities and Services	10,700	10,700	8,515	2,185
Roads	1,053,591	1,163,819	1,145,087	18,732
Capital Projects	364,900	369,066	169,045	200,021
Administration	194,480	182,480	179,726	2,754
Total Disbursements	<u>1,623,671</u>	<u>1,726,065</u>	<u>1,502,373</u>	<u>223,692</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(59,900)</u>	<u>(59,900)</u>	<u>294,324</u>	<u>354,224</u>
Net Change in Fund Balance	(59,900)	(59,900)	294,324	354,224
Fund Balance - Beginning	<u>59,900</u>	<u>59,900</u>	<u>600,964</u>	<u>541,064</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 895,288</u>	<u>\$ 895,288</u>



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

	<b>JAIL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 3,125,969	\$ 3,125,969	\$ 2,311,639	\$ (814,330)
Charges for Services	139,500	139,500	123,559	(15,941)
Miscellaneous	231,500	231,500	205,674	(25,826)
Interest	350	350	227	(123)
Total Receipts	<u>3,497,319</u>	<u>3,497,319</u>	<u>2,641,099</u>	<u>(856,220)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	3,122,830	3,126,655	2,639,388	487,267
Debt Service	395,437	395,437	395,437	
Administration	985,694	981,869	858,172	123,697
Total Disbursements	<u>4,503,961</u>	<u>4,503,961</u>	<u>3,892,997</u>	<u>610,964</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,006,642)</u>	<u>(1,006,642)</u>	<u>(1,251,898)</u>	<u>(245,256)</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	936,642	936,642	1,125,331	188,689
Total Other Adjustments to Cash (Uses)	<u>936,642</u>	<u>936,642</u>	<u>1,125,331</u>	<u>188,689</u>
Net Change in Fund Balance	(70,000)	(70,000)	(126,567)	(56,567)
Fund Balance - Beginning (Restated)	<u>70,000</u>	<u>70,000</u>	<u>174,608</u>	<u>104,608</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 48,041</u>	<u>\$ 48,041</u>

**SIMPSON 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>		
<b>RECEIPTS</b>				
Intergovernmental	\$ 185,000	\$ 185,000	\$ 206,895	\$ 21,895
Interest	400	400	429	29
Total Receipts	<u>185,400</u>	<u>185,400</u>	<u>207,324</u>	<u>21,924</u>
<b>DISBURSEMENTS</b>				
Roads	185,400	185,400	129,801	55,599
Total Disbursements	<u>185,400</u>	<u>185,400</u>	<u>129,801</u>	<u>55,599</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			<u>77,523</u>	<u>77,523</u>
Net Change in Fund Balance			77,523	77,523
Fund Balance - Beginning			<u>190,149</u>	<u>190,149</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 267,672</u>	<u>\$ 267,672</u>

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

	<b>FEDERAL GRANT FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 2,000,000	\$ 3,140,919	\$ 3,574,507	\$ 433,588
Total Receipts	2,000,000	3,140,919	3,574,507	433,588
<b>DISBURSEMENTS</b>				
General Government		224,704	10,090	214,614
Capital Projects	2,000,000	2,000,000	835,140	1,164,860
Administration		846,474	28	846,446
Total Disbursements	2,000,000	3,071,178	845,258	2,225,920
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		69,741	2,729,249	2,659,508
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds			(2,734,947)	(2,734,947)
Total Other Adjustments to Cash (Uses)			(2,734,947)	(2,734,947)
Net Change in Fund Balance		69,741	(5,698)	(75,439)
Fund Balance - Beginning			7,956	7,956
Fund Balance - Ending	\$ 0	\$ 69,741	\$ 2,258	\$ (67,483)

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

	<b>911 FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Taxes	\$ 188,500	\$ 188,500	\$ 191,001	\$ 2,501
Total Receipts	<u>188,500</u>	<u>188,500</u>	<u>191,001</u>	<u>2,501</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	188,500	188,500	185,025	3,475
Total Disbursements	<u>188,500</u>	<u>188,500</u>	<u>185,025</u>	<u>3,475</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			<u>5,976</u>	<u>5,976</u>
Net Change in Fund Balance			5,976	5,976
Fund Balance - Beginning			<u>41,665</u>	<u>41,665</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 47,641</u>	<u>\$ 47,641</u>

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

	<b>ARPA FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$	\$ 1,803,697	\$	\$ (1,803,697)
Total Receipts		1,803,697		(1,803,697)
<b>DISBURSEMENTS</b>				
Administration		1,803,697		1,803,697
Total Disbursements		1,803,697		1,803,697
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)				
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			1,803,697	1,803,697
Total Other Adjustments to Cash (Uses)			1,803,697	1,803,697
Net Change in Fund Balance			1,803,697	1,803,697
Fund Balance - Beginning				
Fund Balance - Ending	\$	0	\$	\$ 1,803,697
		\$ 0		\$ 1,803,697

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

**June 30, 2021**

**Note 1. Budgetary Information**

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

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

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

**Note 2. Excess of Disbursements Over Appropriations**

The general fund, general government line item, exceeded budgeted appropriations by \$1,192,720, administration line item by \$21,289, and overall disbursements by \$1,109,433.

**SIMPSON COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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

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**SIMPSON COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity's Identifying Number	Provided to Subrecipient	Total Federal Expenditures
<b><u>U.S. Department of Housing and Urban Development</u></b>				
<i>Passed-Through Kentucky Department for Local Government</i>				
CDBG Steele Road Water Wastewater Project	14.228	19-006	\$ 830,140	\$ 835,140
<b>Total U.S. Department of Housing &amp; Urban Development</b>			<u>830,140</u>	<u>835,140</u>
<b><u>U. S. Department of Justice</u></b>				
<i>Passed-Through Kentucky Office of Community Oriented Policing Services</i>				
COPS Office COPS Hiring Program	16.710	KY107100	\$	\$ 48,189
<b>Total U.S. Department of Justice</b>				<u>48,189</u>
<b><u>U. S. Department of the Treasury</u></b>				
<i>Passed-Through Kentucky State Board of Elections</i>				
COVID-19 Coronavirus Relief Fund	21.019	61-6000772	\$	\$ 2,085
<i>Passed-Through Kentucky Department for Local Government</i>				
COVID-19 Coronavirus Relief Fund (CRF) for States	21.019	C107/C2-116		523,577
<b>Total U.S. Department of the Treasury</b>				<u>525,662</u>
<b><u>U. S. Department of Election Assistance Commission</u></b>				
<i>Passed-Through Kentucky State Board of Elections</i>				
CARES - Help America Vote Act	90.404	157363644	\$	\$ 15,360
<b>Total U.S. Department of Election Assistance Commission</b>				<u>15,360</u>
<b><u>Office Of National Drug Control Policy</u></b>				
<i>Passed-Through Laurel County Fiscal Court</i>				
High Intensity Drug Trafficking Areas Program	95.001	G21AP0001A	\$	\$ 8,664
<b>Total Office of National Drug Control Policy</b>				<u>8,664</u>
<b><u>U. S. Department of Homeland Security</u></b>				
<i>Passed-Through Kentucky Department of Military Affairs, Emergency Management Division</i>				
Emergency Management Program	97.042		\$	\$ 20,472
<b>Total U.S. Department of Homeland Security</b>				<u>20,472</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 830,140</u>	<u>\$ 1,453,487</u>

The accompanying notes are an integral part of this schedule.

**SIMPSON COUNTY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**June 30, 2021**

**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Simpson County, Kentucky under programs of the federal government for the year ended June 30, 2021. 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 Simpson County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Simpson County, Kentucky.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the 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**

Simpson County has not adopted an indirect cost rate and has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

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

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

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**SIMPSON 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	\$ 1,954,158	\$	\$	\$ 1,954,158
Buildings	15,534,020	92,408		15,626,428
Vehicles and Equipment	3,283,455	188,990	147,085	3,325,360
Vehicles and Equipment (Jail Commissary)	225,204	30,412	6,983	248,633
Other Equipment	1,373,933	89,890	162,528	1,301,295
Infrastructure	10,523,398	544,690		11,068,088
 Total Capital Assets	 \$ 32,894,168	 \$ 946,390	 \$ 316,596	 \$ 33,523,962

**SIMPSON 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	\$ 25,000	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Vehicles and Equipment	\$ 5,000	3-25
Other Equipment	\$ 5,000	3-25
Infrastructure	\$ 25,000	10-50

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

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

The Honorable Mason Barnes, Simpson County Judge/Executive  
Members of the Simpson 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 Simpson County Fiscal Court for the fiscal year ended June 30, 2021, and the related notes to the financial statement which collectively comprise the Simpson County Fiscal Court's financial statement and have issued our report thereon dated January 26, 2022.

**Internal Control Over Financial Reporting**

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

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



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

**Compliance And Other Matters**

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

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

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

**Purpose of this Report**

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

Respectfully submitted,



Mike Harmon  
Auditor of Public Accounts

January 26, 2022

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

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

The Honorable Mason Barnes, Simpson County Judge/Executive  
Members of the Simpson County Fiscal Court

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

Independent Auditor's Report

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

We have audited the Simpson 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 Simpson County Fiscal Court's major federal programs for the year ended June 30, 2021. The Simpson 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 Simpson 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 Simpson 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 Simpson County Fiscal Court's compliance.



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

**Opinion on Each Major Federal Program**

In our opinion, the Simpson 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, 2021.

**Report on Internal Control over Compliance**

Management of the Simpson 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 Simpson 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 to determine the auditing 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 Simpson 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *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 material weaknesses or significant deficiencies. 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,



Mike Harmon  
Auditor of Public Accounts

January 26, 2022

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

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

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

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

**Section I: Summary of Auditor's Results**

***Financial Statement***

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Adverse on GAAP and Unmodified on Regulatory Basis

Internal control over financial reporting:

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

***Federal Awards***

Internal control over major programs:

Are any material weaknesses identified?	<input 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>
14.228	Community Development Block Grant Steele Road Water Wastewater Project

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

**SIMPSON COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2021  
(Continued)**

**Section II: Financial Statement Findings**

2021-001 The Simpson County Fiscal Court Did Not Appropriately Account For All Debt Service Activity

The Simpson County Fiscal Court did not include all financial transactions for the issuance of the general obligation refunding bonds, series 2021, on their quarterly financial reports. Instead of including the full figures of the new debt issuance, net figures were used on the financial statements instead of showing the full amount borrowed and the portion of debt defeased from the 2012 bonds as a debt service disbursement and the funds that were given to the industrial authority. This resulted in bond proceeds being understated by \$5,070,000 and total general fund disbursements being understated by \$1,634,165, on their fourth quarter report.

The Simpson County Fiscal Court also did not budget for these additional disbursements. After adjustments for these items were made, the general fund disbursements ledger budget was overspent by a total of \$1,109,433, in addition to two categories being overspent. The liabilities for these debts were also understated on the final quarterly report by \$627,913, which was the remaining payments left on the 2012 bonds for the fiscal court.

These errors were due to a lack of prior experience with partial repayments of debts by the county treasurer. She did not understand that even though the debt is being transferred from one set of bonds to another, all transactions for the issuance of the debt should be shown in full and should not be net with the other items. The treasurer also believed that the new issuance of bonds completely paid off the 2012 bonds which is why she left them off of the liabilities section. Also, the treasurer's quarterly report was within budgeted amount before the noted adjustments for the additional debt. The treasurer would have gotten a budget amendment to account for the additional items if they had recorded them.

By not reporting the debt transactions, receipts and disbursements are materially misstated on the quarterly report, which is a key document used in preparing future budgets and informing taxpayers of current financial standing. By not recording all debt appropriately in the liabilities section of the quarterly report, accurate financial data cannot be obtained to determine the financial standing of the county.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* requires officials to submit quarterly reports to the Department for Local Government by the 30th day following the close of each quarter and also prescribe the budgeting processes.

KRS 68.210 states, in part, “[t]he administration of the county uniform budget system shall be under the supervision of the state local finance officer who may inspect and shall supervise the administration of accounts and financial operations and shall prescribe. . .a uniform system of accounts[.]” Good internal controls dictate that checks be in place to ensure the accuracy of all supporting documentation to the financial statements.

We recommend the Simpson County Fiscal Court ensure that all financial activity be accurately reflected in the ledgers and quarterly reports, which includes making any needed budget amendments. We also recommend the county ensure that all debt is appropriately reported on the liabilities section of the quarterly report.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: This debt is a pass through from the county to the FS Industrial Authority. The debt proceeds were to go the FS Industrial Authority once the bonds were refinanced. Per the auditor, debt proceeds should have been receipted by the county then dispersed to the FS Industrial Authority. However, debt proceeds were sent and receipted by the FS Industrial Authority. We were informed that the debt from the 2012 Bonds rolled into the 2021 Bond debt which is why the 2012 Bond debt was not reported on the financial statement. The 2012 Bond debt has already been added back onto the liabilities section of the financial statement.*

**SIMPSON COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2021  
(Continued)**

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

None.

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

None.

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

**SIMPSON COUNTY FISCAL COURT**

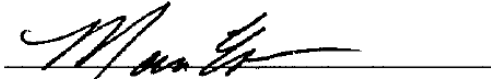
**For The Year Ended June 30, 2021**

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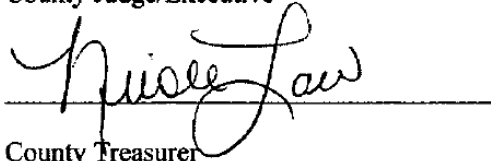
CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE  
SIMPSON COUNTY FISCAL COURT

For The Year Ended June 30, 2021

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



County Judge/Executive



County Treasurer