

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

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



**MIKE HARMON
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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Barry Smith, Taylor County Judge/Executive
Members of the Taylor 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 Taylor County Fiscal Court, for the year ended June 30, 2021, and the related notes to the financial statement, which collectively comprise the Taylor 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
Finance and Administration Cabinet
The Honorable Barry Smith, Taylor County Judge/Executive
Members of the Taylor County Fiscal Court

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

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

To the People of Kentucky
 The Honorable Andy Beshear, Governor
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Other Matters (Continued)

Supplementary and Other Information (Continued)

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.

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 December 9, 2021, on our consideration of the Taylor 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 Taylor 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 Taylor County Fiscal Court And Jailer Did Not Follow Bidding And Contract Procedures Required By The County's Administrative Code
- 2021-002 The Taylor County Jail Commissary Does Not Have Adequate Segregation Of Duties

Respectfully submitted,



Mike Harmon
 Auditor of Public Accounts

December 9, 2021

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

Barry Smith	County Judge/Executive
Dr. James Jones	Magistrate
John Gaines	Magistrate
Tommy Corbin	Magistrate
Zuel Yarberry	Magistrate
Derrick Bright	Magistrate
Richard Phillips	Magistrate

Other Elected Officials:

John Bertram	County Attorney
Hack Marcum	Jailer
Mark Carney	County Clerk
Susie Skaggs	Circuit Court Clerk
Allen Newton	Sheriff
Chad Shively	Property Valuation Administrator
Dainel Cook	Coroner

Appointed Personnel:

Melissa Williams	County Treasurer
Brian Smothers	Chief Financial Officer
Sherry Kerr	Occupational Tax Administrator

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

For The Year Ended June 30, 2021

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

For The Year Ended June 30, 2021

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 6,727,886	\$	\$
In Lieu Tax Payments	58,371		
Excess Fees	273,143		
Licenses and Permits	153,625		
Intergovernmental	1,828,907	1,338,236	1,625,454
Charges for Services	28,716		113,875
Miscellaneous	115,490	53,334	134,607
Interest	36,510	10,710	3,443
Total Receipts	<u>9,222,648</u>	<u>1,402,280</u>	<u>1,877,379</u>
DISBURSEMENTS			
General Government	2,130,071		
Protection to Persons and Property	300,649		2,094,104
General Health and Sanitation	318,667	46,450	
Social Services	66,802		
Recreation and Culture	192,494		
Transportation Facility and Services	375,000	42,390	
Roads	327,750	968,438	
Airports	149,188		
Debt Service	559,619		665,158
Administration	971,978	251,128	700,501
Total Disbursements	<u>5,392,218</u>	<u>1,308,406</u>	<u>3,459,763</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>3,830,430</u>	<u>93,874</u>	<u>(1,582,384)</u>
Other Adjustments to Cash (Uses)			
Change in Payroll Revolving Account	1,675		
Transfers From Other Funds			1,864,338
Transfers To Other Funds	(1,864,338)		
Total Other Adjustments to Cash (Uses)	<u>(1,862,663)</u>		<u>1,864,338</u>
Net Change in Fund Balance	1,967,767	93,874	281,954
Fund Balance - Beginning (Restated)	2,724,723	1,066,493	293,675
Fund Balance - Ending	<u>\$ 4,692,490</u>	<u>\$ 1,160,367</u>	<u>\$ 575,629</u>
Composition of Fund Balance			
Bank Balance	\$ 4,670,092	\$ 1,166,604	\$ 575,797
Plus: Deposits In Transit			
Less: Outstanding Checks	(6,150)	(6,237)	(168)
Payroll Revolving Account Reconciled Balance	28,548		
Fund Balance - Ending	<u>\$ 4,692,490</u>	<u>\$ 1,160,367</u>	<u>\$ 575,629</u>

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

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

<u>Unbudgeted Funds</u>		
<u>Public Properties Corporation Fund</u>	<u>Jail Commissary Fund</u>	<u>Total Funds</u>
\$	\$	\$ 6,727,886
		58,371
		273,143
		153,625
1,097,100		5,889,697
		142,591
	684,886	988,317
3		50,666
<u>1,097,103</u>	<u>684,886</u>	<u>14,284,296</u>
		2,130,071
		2,394,753
		365,117
		66,802
	422,471	614,965
		417,390
		1,296,188
		149,188
1,095,900		2,320,677
1,201		1,924,808
<u>1,097,101</u>	<u>422,471</u>	<u>11,679,959</u>
2	262,415	2,604,337
		1,675
		1,864,338
		<u>(1,864,338)</u>
		1,675
2	262,415	2,606,012
3,912	146,337	4,235,140
<u>\$ 3,914</u>	<u>\$ 408,752</u>	<u>\$ 6,841,152</u>
\$ 3,914	\$ 410,159	\$ 6,826,566
	643	643
	(2,050)	(14,605)
		28,548
<u>\$ 3,914</u>	<u>\$ 408,752</u>	<u>\$ 6,841,152</u>

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

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**TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2021

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Taylor County includes all budgeted and unbudgeted funds under the control of the Taylor 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 Taylor County Hospital District, Taylor County Hospital District Health Facility Corporation, and Taylor County Airport 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 required components of the reporting entity. Audits of these entities can be obtained from the Taylor County Fiscal Court, 203 N. Court Street, Suite 4, Campbellsville, Kentucky 42718.

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.

TAYLOR 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.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Public Properties Corporation Fund - The primary purpose of this fund is to account for the accumulation of resources for, and the payment of general long-term debt principal and interest for the judicial center.

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.

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

E. Taylor County Elected Officials

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

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.

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

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

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

Note 3. Transfers

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

	General Fund	Total Transfers In
Jail Fund	<u>\$ 1,864,338</u>	<u>\$ 1,864,338</u>
Total Transfers Out	<u>\$ 1,864,338</u>	<u>\$ 1,864,338</u>

Reason for transfers:

To move resources from the general fund to jail fund, for budgetary purposes, 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 funds:

City Occupational Tax Fund - This fund is used to collect and pay occupational tax to the City of Campbellsville. The balance in this fund as of June 30, 2021 was \$38,772.

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 \$2,350.

Note 5. Long-term Debt

A. Direct Borrowings and Direct Placements

1. Fire Station

On December 16, 2016, the Taylor County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the construction, equipping, and installation of a new fire house for the volunteer fire department. The principal was \$1,200,000 at 3.30 percent for a period of five years.

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

Note 5. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

1. Fire Station (Continued)

Whenever any event of default has occurred and is continuing, the lessor may, without any further demand or notice, take one or any combination of the following remedial steps:

- (a) By appropriate court action, enforce the pledge set forth in section 2 of the ordinance and section 11 of this lease so that during the remaining lease term there is levied on all the taxable property in the lessee, in addition to all other taxes, without limitation as to the rate or amount, a direct tax annually in an amount sufficient to pay the lease rental payments when and as due;
- (b) take legal title to, and sell or re-lease the project or any portion thereof;
- (c) take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the project under this lease (including, without limitation, the right to possession of the project and the right to sell or re-lease or otherwise dispose of the project in accordance with applicable law; and/or take whatever action at law or in equity may appear necessary or desirable to enforce performance by the lessee of the applicable covenants and agreements of the lessee under this lease (subject, however, to the limitations thereon contained in this lease) and to recover damages for the breach thereof.

The lessee will remain liable for all covenants and obligations under this lease, and for all legal fees and other costs and expenses, including court costs awarded by a court of competent jurisdiction, incurred by the lessor with respect to the enforcement of any of the remedies under this lease, when a court of competent jurisdiction has finally adjudicated that an event of default has occurred. The principal balance outstanding as of June 30, 2021 was \$126,709. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 126,709	\$ 1,570
Totals	\$ 126,709	\$ 1,570

2. Land

On November 29, 2017, the Taylor County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for refinancing the industrial park land. The principal was \$754,525 at 3.415 percent for five years. Principal and interest are due monthly.

Whenever any event of default has occurred and is continuing, the lessor may, without any further demand or notice, take one or any combination of the following remedial steps:

- (a) By appropriate court action, enforce the pledge set forth in section 2 of the ordinance and section 11 of this lease so that during the remaining lease term there is levied on all the taxable property in the lessee, in addition to all other taxes, without limitation as to the rate or amount, a direct tax annually in an amount sufficient to pay the lease rental payments when and as due;
- (b) take legal title to, and sell or re-lease the project or any portion thereof;

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

Note 5. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

2. Land (Continued)

- (c) take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the project under this lease (including, without limitation, the right to possession of the project and the right to sell or re-lease or otherwise dispose of the project in accordance with applicable law; and/or take whatever action at law or in equity may appear necessary or desirable to enforce performance by the lessee of the applicable covenants and agreements of the lessee under this lease (subject, however, to the limitations thereon contained in this lease) and to recover damages for the breach thereof.

The lessee will remain liable for all covenants and obligations under this lease, and for all legal fees and other costs and expenses, including court costs awarded by a court of competent jurisdiction, incurred by the lessor with respect to the enforcement of any of the remedies under this lease, when a court of competent jurisdiction has finally adjudicated that an event of default has occurred. The principal balance outstanding as of June 30, 2021 was \$158,028. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 150,905	\$ 3,077
2023	<u>7,123</u>	<u>20</u>
Totals	<u>\$ 158,028</u>	<u>\$ 3,097</u>

3. Fire Truck

On April 18, 2020, the Taylor County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of a new fire truck for the volunteer fire department. The principal was \$400,000 at 4.0 percent for a period of three years.

Whenever any event of default has occurred and is continuing, the lessor may, without any further demand or notice, take one or any combination of the following remedial steps:

- (a) By appropriate court action, enforce the pledge set forth in section 2 of the ordinance and section 11 of this lease so that during the remaining lease term there is levied on all the taxable property in the lessee, in addition to all other taxes, without limitation as to the rate or amount, a direct tax annually in an amount sufficient to pay the lease rental payments when and as due;
- (b) take legal title to, and sell or re-lease the project or any portion thereof;
- (c) take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the project under this lease (including, without limitation, the right to possession of the project and the right to sell or re-lease or otherwise dispose of the project in accordance with applicable law; and/or take whatever action at law or in equity may appear necessary or desirable to enforce performance by the lessee of the applicable covenants and agreements of the lessee under this lease (subject, however, to the limitations thereon contained in this lease) and to recover damages for the breach thereof.

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

Note 5. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

3. Fire Truck (Continued)

The lessee will remain liable for all covenants and obligations under this lease, and for all legal fees and other costs and expenses, including court costs awarded by a court of competent jurisdiction, incurred by the lessor with respect to the enforcement of any of the remedies under this lease, when a court of competent jurisdiction has finally adjudicated that an event of default has occurred. The principal balance outstanding as of June 30, 2021 was \$127,433. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 127,433	\$ 2,587
Totals	<u>\$ 127,433</u>	<u>\$ 2,587</u>

B. Other Debt

1. General Obligation Refunding Bonds, Series 2015

On September 9, 2015, the Taylor County Fiscal Court issued \$8,765,000 General Obligations Refunding Bonds, Series 2015 for the purpose of refinancing the General Obligation Bonds, Series 2007. The bonds mature serially through September 1, 2032, and require annual principal payments due on September 1 with the first payment due September 1, 2016. Semi-annual payments of interest at a variable interest rate between 1.5 percent and three percent are due on March 1 and September 1 of each year with the first payment due March 1, 2016.

A party shall be in a default of its obligations hereunder if it fails to carry out or perform its obligations hereunder. If an event of default occurs and continues beyond a period of thirty (30) days following notice of default given in writing to such defaulting party by any other party hereto or by a beneficiary hereof as identified in Section 4(G), the non-defaulting party or any such beneficiary may (and, at the request of the Participating Underwriter of the holders of at least 25% aggregate principal amount of Outstanding Bonds, the non-defaulting party shall), enforce the obligations of the defaulting party under this Agreement; provided, however, the sole remedy available in any proceeding to enforce this Agreement shall be an action in mandamus, for specific performance or similar remedy to compel performance. Bonds outstanding as of June 30, 2021 were \$6,760,000.

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 495,000	\$ 167,770
2023	500,000	160,308
2024	510,000	152,732
2025	520,000	141,757
2026	535,000	127,251
2027-2031	2,915,000	401,283
2032-2033	<u>1,285,000</u>	<u>38,925</u>
Totals	<u>\$ 6,760,000</u>	<u>\$ 1,190,026</u>

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

Note 5. Long-term Debt (Continued)

2. First Mortgage Refunding Revenue Bonds, Series 2016

On February 17, 2016, the Taylor County Fiscal Court issued \$9,080,000 first mortgage refunding revenue bonds, series 2016, for the purpose of refunding the first mortgage revenue bonds, series 2007. The bonds mature serially through September 1, 2027, and require annual principal payments due on September 1, with the first payment due September 1, 2020. Semi-annual payments of interest at a variable interest rate between two percent and four percent are due on March 1 and September 1 of each year with the first payment due September 1, 2016.

- (1) Upon the happening and continuance of any event of default to protect and enforce its rights and the rights of the owners of the bonds by such of the following remedies, as the trustee, being advised by counsel, will deem most effectual to protect and enforce such rights:
 - (a) 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. Provided, however, that no such foreclosure sale will result in a deficiency judgment of any type or in any amount against AOC, the county or the corporation, and until such sale the county may at any time by the discharge of the bonds and interest and any premium thereon receive an unencumbered fee simple title to the mortgaged facilities; provided that in the event of any such enforcement of said lien by the trustee, there will first be paid all expenses incident to said document, and thereafter the bonds then outstanding will be paid and retired;
 - (b) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the owners of the bonds, including the right to require the corporation to enforce fully the lease and to charge, collect and fully account for the pledged receipts, and to require the corporation to carry out any end all other covenants or agreements with the bondholders and to perform its duties under the act;
 - (c) by bringing suit upon the bonds;
 - (d) by action or suit in equity, require the corporation to account as if it were the trustee of an express trust for the owners of the bonds;
 - (e) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the owners of the bonds;
 - (f) by declaring all bonds due and payable, and if all defaults will be made good, then, with the written consent of the owners of not less than 25% in a principal amount or the outstanding bonds, by annulling such declaration and its consequences; and
 - (g) in the event that all bonds are declared due and payable, by selling investment obligations of the corporation to the extent not theretofore set aside for redemption of the bonds for which call has been made), and enforcing all chooses 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.
- (2) In the enforcement of any rights and remedies under the mortgage, the trustee shall be entitled to sue for, enforce payment on and receive any and all amounts then or during any default becoming, and at any time remaining, due from the corporation for principal, interest or otherwise, under any provision of the mortgage or of the bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in the bonds, together with any and all costs and expenses of collection and of all proceedings hereunder and under the bonds, without prejudice to any other right or remedy of the trustee or of the bondholders, and to recover and enforce a judgment or decree against the corporation for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect from any moneys available for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable.

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

Note 5. Long-term Debt (Continued)

B. Other Debt (Continued)

2. First Mortgage Refunding Revenue Bonds, Series 2016 (Continued)

The principal outstanding as of June 30, 2021, was \$6,795,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 890,000	\$ 208,300
2023	910,000	190,300
2024	930,000	171,900
2025	955,000	143,500
2026	995,000	104,500
2027-2028	<u>2,115,000</u>	<u>85,500</u>
Totals	<u>\$ 6,795,000</u>	<u>\$ 904,000</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
Direct Borrowings and Direct Placements	\$ 946,065	\$	\$ 533,895	\$ 412,170	\$ 405,047
General Obligation Bonds	7,250,000		490,000	6,760,000	495,000
Revenue Bonds	<u>7,665,000</u>		<u>870,000</u>	<u>6,795,000</u>	<u>890,000</u>
Total Long-term Debt	<u>\$ 15,861,065</u>	<u>\$ 0</u>	<u>\$ 1,893,895</u>	<u>\$ 13,967,170</u>	<u>\$ 1,790,047</u>

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

Note 5. 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	\$ 1,385,000	\$ 376,070	\$ 405,047	\$ 7,234
2023	1,410,000	350,608	7,123	20
2024	1,440,000	324,632		
2025	1,475,000	285,257		
2026	1,530,000	231,751		
2027-2030	5,030,000	486,783		
2031-2033	1,285,000	38,925		
Totals	<u>\$ 13,555,000</u>	<u>\$ 2,094,026</u>	<u>\$ 412,170</u>	<u>\$ 7,254</u>

Note 6. 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 \$664,494, FY 2020 was \$834,339, and FY 2021 was \$810,562.

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.

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

Note 6. Employee Retirement System (Continued)

Nonhazardous (Continued)

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.

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.

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

Note 6. 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:

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.

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.

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

Note 6. 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.

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

Note 7. Deferred Compensation

In 2002, the Taylor 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 8. Health Reimbursement Account/Flexible Spending Account

In 2010, the Taylor County Fiscal Court established a flexible spending account to provide employees an additional health benefit. The county elected to administer the plan as of July 1, 2016, which provides a debit card to each eligible employee providing \$1,500 each year to pay for qualified medical expenses. The balance of the plan is \$82,901 as of June 30, 2021. Employees may also contribute additional pre-tax funds through payroll deduction. The balance of the plan is \$1,784 as of June 30, 2021.

Note 9. Insurance

For the fiscal year ended June 30, 2021, the Taylor 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 10. Related Party Transactions

The Taylor County Fiscal Court conducted business with a local vendor co-owned by the county judge executive for purchase of battery supplies. For fiscal year ended June 30, 2021, the fiscal court expended \$883 from the general fund and \$909 from the road fund, totaling \$1,792.

Note 11. Payroll Revolving Account

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

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

Note 12. Conduit Debt

From time to time the county has issued bonds to provide financial assistance to Taylor County Regional 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 Taylor 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.

Note 13. Prior Period Adjustments

	General Fund	Road Fund	Jail Fund	Public Properties Corporation Fund	Jail Commissary Fund
Fund Balance - Beginning	\$ 2,724,663	\$ 1,064,175	\$ 293,674	\$ 3,913	\$ 145,744
Voided Checks	60	2,318			593
Rounding			1	(1)	
Fund Balance - Beginning (Restated)	<u>\$ 2,724,723</u>	<u>\$ 1,066,493</u>	<u>\$ 293,675</u>	<u>\$ 3,912</u>	<u>\$ 146,337</u>

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

For The Year Ended June 30, 2021

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TAYLOR COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2021

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 4,661,010	\$ 5,974,325	\$ 6,727,886	\$ 753,561
In Lieu Tax Payments	32,000	32,000	58,371	26,371
Excess Fees	140,000	140,000	273,143	133,143
Licenses and Permits	115,000	115,000	153,625	38,625
Intergovernmental	481,680	1,469,958	1,828,907	358,949
Charges for Services	28,900	28,900	28,716	(184)
Miscellaneous	15,350	15,350	115,490	100,140
Interest	16,000	16,000	36,510	20,510
Total Receipts	<u>5,489,940</u>	<u>7,791,533</u>	<u>9,222,648</u>	<u>1,431,115</u>
DISBURSEMENTS				
General Government	2,211,774	2,392,752	2,130,071	262,681
Protection to Persons and Property	231,537	365,187	300,649	64,538
General Health and Sanitation	397,577	404,877	318,667	86,210
Social Services	85,595	89,245	66,802	22,443
Recreation and Culture	214,563	228,563	192,494	36,069
Transportation Facilities and Services	300,000	375,000	375,000	
Roads		327,750	327,750	
Airports	102,335	153,135	149,188	3,947
Debt Service	560,600	574,600	559,619	14,981
Administration	1,524,649	3,373,609	971,978	2,401,631
Total Disbursements	<u>5,628,630</u>	<u>8,284,718</u>	<u>5,392,218</u>	<u>2,892,500</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(138,690)</u>	<u>(493,185)</u>	<u>3,830,430</u>	<u>4,323,615</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(1,361,310)</u>	<u>(2,204,665)</u>	<u>(1,864,338)</u>	<u>340,327</u>
Total Other Adjustments to Cash (Uses)	<u>(1,361,310)</u>	<u>(2,204,665)</u>	<u>(1,864,338)</u>	<u>340,327</u>
Net Change in Fund Balance	(1,500,000)	(2,697,850)	1,966,092	4,663,942
Fund Balance - Beginning (Restated)	<u>1,500,000</u>	<u>2,697,850</u>	<u>2,724,723</u>	<u>26,873</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,690,815</u>	<u>\$ 4,690,815</u>

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

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,302,420	\$ 1,359,269	\$ 1,338,236	\$ (21,033)
Charges for Services	80,000	80,000		(80,000)
Miscellaneous		45,267	53,334	8,067
Interest	9,000	9,000	10,710	1,710
Total Receipts	<u>1,391,420</u>	<u>1,493,536</u>	<u>1,402,280</u>	<u>(91,256)</u>
DISBURSEMENTS				
General Government	100	100		100
General Health and Sanitation	35,000	47,300	46,450	850
Transportation Facilities and Services	35,000	43,000	42,390	610
Roads	1,604,150	1,655,350	968,438	686,912
Administration	267,170	814,279	251,128	563,151
Total Disbursements	<u>1,941,420</u>	<u>2,560,029</u>	<u>1,308,406</u>	<u>1,251,623</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(550,000)</u>	<u>(1,066,493)</u>	<u>93,874</u>	<u>1,160,367</u>
Net Change in Fund Balance	(550,000)	(1,066,493)	93,874	1,160,367
Fund Balance - Beginning (Restated)	<u>550,000</u>	<u>1,066,493</u>	<u>1,066,493</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,160,367</u>	<u>\$ 1,160,367</u>

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

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 2,133,500	\$ 2,150,296	\$ 1,625,454	\$ (524,842)
Charges for Services	46,200	61,511	113,875	52,364
Miscellaneous	245,500	250,067	134,607	(115,460)
Interest	3,000	3,000	3,443	443
Total Receipts	<u>2,428,200</u>	<u>2,464,874</u>	<u>1,877,379</u>	<u>(587,495)</u>
DISBURSEMENTS				
Protection to Persons and Property	2,445,860	2,516,710	2,094,104	422,606
Debt Service	666,000	666,000	665,158	842
Administration	927,650	1,778,825	700,501	1,078,324
Total Disbursements	<u>4,039,510</u>	<u>4,961,535</u>	<u>3,459,763</u>	<u>1,501,772</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,611,310)</u>	<u>(2,496,661)</u>	<u>(1,582,384)</u>	<u>914,277</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>1,361,310</u>	<u>2,204,665</u>	<u>1,864,338</u>	<u>(340,327)</u>
Total Other Adjustments to Cash (Uses)	<u>1,361,310</u>	<u>2,204,665</u>	<u>1,864,338</u>	<u>(340,327)</u>
Net Change in Fund Balance	(250,000)	(291,996)	281,954	573,950
Fund Balance - Beginning (Restated)	<u>250,000</u>	<u>291,996</u>	<u>293,675</u>	<u>1,679</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 575,629</u>	<u>\$ 575,629</u>

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

June 30, 2021

Note 1. Budgetary Information

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

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

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

Note 2. Reconciliation of the General Fund

Total Other Adjustments to Cash - Budgetary Basis	\$ (1,864,338)
To record change in payroll account balance	<u>1,675</u>
Total Other Adjustments to Cash - Regulatory Basis	<u>\$ (1,862,663)</u>
Fund Balance - Ending - Budget Basis	\$ 4,690,815
To record change in payroll account balance	<u>1,675</u>
Fund Balance - Ending - Regulatory Basis	<u>\$ 4,692,490</u>

**TAYLOR COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For The Year Ended June 30, 2021

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TAYLOR 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
<u>U.S. Department of the Treasury</u>				
<i>Passed-Through Kentucky Department for Local Government:</i>				
Coronavirus Relief Fund (CRF)	21.019	C-177	\$	\$468,894
Coronavirus Relief Fund (CRF)	21.019	C2-226		297,162
Coronavirus Relief Fund (CRF) - Elections	21.019			<u>3,719</u>
Total U. S. Department of the Treasury				<u><u>769,775</u></u>
<u>U. S. Department of Justice</u>				
<i>Passed-Through Kentucky Department of Justice</i>				
Crime Victim Assistance	16.575	33	\$	\$ 13,973
Crime Victim Assistance	16.575	103		<u>45,457</u>
Total U.S. Department of Justice				<u><u>59,430</u></u>
<u>U. S. Department of Transportation</u>				
<i>Passed-Through Kentucky Department for Local Government</i>				
Recreational Trails Program	20.219	RTP #553-16	\$	<u>\$ 29,750</u>
Total U.S. Department of Transportation				<u><u>29,750</u></u>
<u>U. S. Department of Homeland Security</u>				
<i>Passed-Through Kentucky Department of Military Affairs:</i>				
Emergency Management Performance Grants	97.042	EMPG 2020	\$	<u>\$ 11,152</u>
Total U.S. Department of Homeland Security				<u><u>11,152</u></u>
<u>U. S. Election Assistance Commissions</u>				
<i>Passed-Through Kentucky Board of Elections</i>				
Help America Vote Act - Election Security Grants	90.404		\$	<u>\$ 15,353</u>
Total U.S. Election Assistance Commissions				<u><u>15,353</u></u>
Total Expenditures of Federal Awards			<u>\$ 0</u>	<u><u>\$885,460</u></u>

The accompanying notes are an integral part of this schedule.

TAYLOR 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 (Schedule) includes the federal award activity of Taylor 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 Taylor County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Taylor 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

Taylor 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.

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

For The Year Ended June 30, 2021

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TAYLOR 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	\$ 3,354,346	\$	\$	\$ 3,354,346
Construction In Progress	606,071	93,434		699,505
Buildings and Building Improvement	28,586,392			28,586,392
Machinery and Equipment	1,767,391	86,278		1,853,669
Vehicles	1,941,419	647,771	571,821	2,017,369
Infrastructure	15,656,635	778,879		16,435,514
 Total Capital Assets	 <u>\$ 51,912,254</u>	 <u>\$ 1,606,362</u>	 <u>\$ 571,821</u>	 <u>\$ 52,946,795</u>

TAYLOR 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 and Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 10,000	3-25
Vehicles	\$ 5,000	3-25
Infrastructure	\$ 20,000	10-50

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Barry Smith, Taylor County Judge/Executive
Members of the Taylor 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 Taylor County Fiscal Court for the fiscal year ended June 30, 2021, and the related notes to the financial statement which collectively comprise the Taylor County Fiscal Court's financial statement and have issued our report thereon dated December 9, 2021.

Internal Control Over Financial Reporting

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

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



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

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Taylor 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 Officials and Planned Corrective Action

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

Purpose of this Report

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

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

December 9, 2021

**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 Barry Smith, Taylor County Judge/Executive
Members of the Taylor 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 Taylor 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 Taylor County Fiscal Court's major federal programs for the year ended June 30, 2021. The Taylor 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 Taylor 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 Taylor 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 Taylor 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 Taylor 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 Taylor 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 Taylor 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 Taylor 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

December 9, 2021

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

For The Year Ended June 30, 2021

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**TAYLOR 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: 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>
21.019	Coronavirus Relief Fund

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

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

Section II: Financial Statement Findings

2021-001 The Taylor County Fiscal Court And Jailer Did Not Follow Bidding And Contract Procedures Required By The County's Administrative Code

This is a repeat finding and was included in the prior year audit report as finding 2020-001. The fiscal court and jailer are not in compliance with the county's administrative code related to bidding and contracts. The following deficiencies were noted during disbursements testing:

- Documentation of approval by the fiscal court to advertise for any bids could not be found in the fiscal court minutes.
- The jail did not advertise for bids for the detention center's food service program for fiscal year 2021.
- The contract for the detention center's food service program was signed by the jailer, not the county judge/executive, and was not presented to fiscal court for approval.
- The contract for the detention center's medical services was signed by the county/judge executive, but was not presented to fiscal court for approval.
- The jail paid \$1.199 per tray served from the food service provider based on an average population of 224 inmates, and \$1.25 per tray based on an average population of 199 inmates. These amounts do not agree to the contract price per tray of \$1.1759 and \$1.23, respectively.
- The jail did not advertise for bids for inmate's text, picture, and email services for fiscal year 2021.
- The jail did not advertise for bids for e-cigs for inmates for fiscal year 2021.
- The jail did not advertise for bids the commissary vendor for fiscal year 2021.

These exceptions occurred due to lack of management oversight over bidding and contract procedures. As a result, the fiscal court and jailer are not in compliance with the county's administrative code related to bidding and contracts. In addition, the county may not have received the best value for services or products provided.

According to the Taylor County Administrative Code Section 8.2 Selection of Vendors and Contractors (Procedures for Sealed Bidding) subsection C: "Any expenditure or contract for materials, supplies (except perishable meat, fish, and vegetables), equipment, or for contractual services other than professional, involving an expenditure of more than Thirty Thousand Dollars (\$30,000) shall be subject to competitive bidding. Except State Bid Pricing."

In addition, the Taylor County Administrative Code Section 8.1 Authorization of County Contracts states in part, "Every contract, change or amendment thereto, shall be authorized or approved by the Fiscal Court before being executed by the County Judge, except for small purchases."

We recommend the fiscal court follow their own administrative code policy, as it relates to bidding for contractual services over \$30,000. Further, we recommend the jailer abstain from entering into any contracts unless authorized or approved by the fiscal court. Finally, we recommend that all supporting documentation for disbursements be reviewed to ensure the contract price is being charged.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Jailer and Fiscal Court will bid all contracts going forward.

County Jailer's Response: Every effort will be made to meet the criteria as set forth in the administrative code of Taylor County. For the current fiscal year, the detention center advertised for bids as required.

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

Section II: Financial Statement Findings (Continued)

2021-002 The Taylor County Jail Commissary Does Not Have Adequate Segregation Of Duties

The Taylor County Jail Commissary does not have adequate segregation over all jail commissary accounting functions. The jailer's bookkeeper receives the mail, collects cash, issues receipts, prepares and deposit receipts, writes and signs checks, and prepares bank reconciliations. The bookkeeper also post to the receipts and disbursements ledger. The jailer initials bank reconciliations and bank statement. Dual signatures are noted on all checks.

According to the jailer's bookkeeper, this condition is a result of a limited budget, which restricts the number of employees the jailer can hire or delegate duties. A lack of oversight could result in undetected misappropriation of assets and inaccurate financial reporting to the fiscal court.

A proper segregation of duties over the accounting functions or implementing compensating controls, when necessary because of a limited number of staff is essential for providing protection from undetected errors occurring. Additionally, a proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the jailer segregate the duties of preparing deposits, recording receipts, preparing the bank reconciliations, and signing checks. If segregation of duties is not feasible due to lack of staff, we recommend the jailer implementing and documenting compensating controls to offset this control deficiency.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Jailer will respond.

County Jailer's Response: Moving forward, an effort will be made to have the bank deposits reviewed by a second person.

Section III: Federal Award Findings And Questioned Costs

None.

Section IV: Summary Schedule of Prior Audit Findings

None.