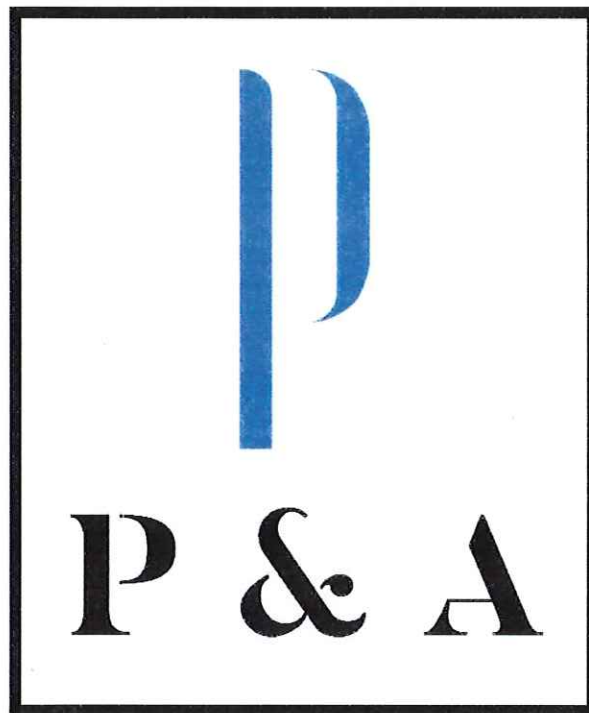


**REPORT OF THE AUDIT OF THE
ADAIR COUNTY
FISCAL COURT**

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



PATRICK & ASSOCIATES, LLC

**124 Candlewood Drive
Winchester, KY 40391**

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
ADAIR COUNTY OFFICIALS	4
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - REGULATORY BASIS.....	6
NOTES TO FINANCIAL STATEMENT	10
BUDGETARY COMPARISON SCHEDULES.....	25
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES	35
SCHEDULE OF CAPITAL ASSETS.....	38
NOTES TO OTHER INFORMATION - REGULATORY BASIS SCHEDULE OF CAPITAL ASSETS.....	39
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.....	42
SCHEDULE OF FINDINGS AND RESPONSES.....	45
APPENDIX A: CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	

THIS PAGE LEFT BLANK INTENTIONALLY



PATRICK & ASSOCIATES, LLC

124 Candlewood Drive
Winchester, KY 40391

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Gale Cowan, Adair County Judge/Executive
Members of the Adair 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 Adair County Fiscal Court, for the year ended June 30, 2020, and the related notes to the financial statement which collectively comprise the Adair 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 Gale Cowan, Adair County Judge/Executive
Members of the Adair 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 Adair 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 Adair County Fiscal Court as of June 30, 2020, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

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

Other Matters

Supplementary Information and Other Information

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

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

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

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

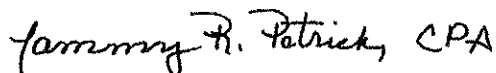
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2022, on our consideration of the Adair County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Adair County Fiscal Court's internal control over financial reporting and compliance.

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

- 2020-001 The Former Jailer Failed To Properly Implement Controls Over The Inmate Account Which Resulted In Missing Deposits Totaling \$204,405 Over A Three-Year Period
- 2020-002 The Adair County Jail Lacks Adequate Segregation Of Duties
- 2020-003 The Former Jailer Failed To Remit Sales Tax Timely
- 2020-004 The Adair County Fiscal Court Lacks Adequate Segregation Of Duties

Respectfully submitted,



Tammy R. Patrick, CPA
Patrick & Associates, LLC

August 25, 2022

ADAIR COUNTY OFFICIALS
For The Year Ended June 30, 2020

Fiscal Court Members:

Gale B. Cowan	County Judge/Executive
Harold Burton	Magistrate
Daryl Flatt	Magistrate
Sammy Baker	Magistrate
Chris Reeder	Magistrate
Billy Coffey	Magistrate
Greg Caldwell	Magistrate
Terry Hadley	Magistrate

Other Elected Officials:

Jennifer Hutchison-Corbin	County Attorney
Joey White	Jailer
Lisa Greer	County Clerk
Dennis Loy	Circuit Court Clerk
Josh Brockman	Sheriff
Jeff Feese	Property Valuation Administrator
Todd Akin	Coroner

Appointed Personnel:

Melinda Quinn	County Treasurer
Benisha Johnson	Finance Officer

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

For The Year Ended June 30, 2020

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

For The Year Ended June 30, 2020

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 1,175,857	\$	\$
In Lieu Tax Payments	60,124		
Excess Fees	274,645		
Licenses and Permits	71,886		
Intergovernmental	335,745	2,494,792	919,171
Charges for Services			29,088
Miscellaneous	210,672	4,928	100,944
Interest	2,559	11,559	522
Total Receipts	<u>2,131,488</u>	<u>2,511,279</u>	<u>1,049,725</u>
DISBURSEMENTS			
General Government	714,425	16,102	4,271
Protection to Persons and Property	38,823		1,399,302
General Health and Sanitation	58,932	25,743	
Social Services	1,200		
Recreation and Culture	3,000		
Roads		2,132,534	
Airports			
Debt Service	151,081	18,488	28,819
Administration	676,875	163,542	372,157
Total Disbursements	<u>1,644,336</u>	<u>2,356,409</u>	<u>1,804,549</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>487,152</u>	<u>154,870</u>	<u>(754,824)</u>
Other Adjustments to Cash (Uses)			
Financing Obligation Proceeds	25,000	141,872	
Transfers From Other Funds	448,531	172,000	724,708
Transfers To Other Funds	(1,048,932)	(421,502)	
Total Other Adjustments to Cash (Uses)	<u>(575,401)</u>	<u>(107,630)</u>	<u>724,708</u>
Net Change in Fund Balance	(88,249)	47,240	(30,116)
Fund Balance - Beginning (Restated)	136,221	728,312	37,408
Fund Balance - Ending	<u>\$ 47,972</u>	<u>\$ 775,552</u>	<u>\$ 7,292</u>
Composition of Fund Balance			
Bank Balance	\$ 68,091	\$ 794,162	\$ 28,288
Less: Outstanding Checks	(20,119)	(18,610)	(20,996)
Fund Balance - Ending	<u>\$ 47,972</u>	<u>\$ 775,552</u>	<u>\$ 7,292</u>

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

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

Local Government Economic Assistance Fund	Budgeted Funds					Green River Animal Shelter Fund
	Federal Grants Fund	Forest Fire Fund	Parks and Recreation Fund	ABC Commission Fund	911 Fund	
\$		\$ 2,019	\$	\$	\$ 98,127	\$
148,922			12,610	1,000	180,101	17,555
	26,030		36,190	28,912	736	6,535
1,849	30	12	312	333	209	27
150,771	26,060	2,031	49,112	30,245	279,173	24,117
93,713	77,747		113	10,209	1,485	222
2,408		2,250			277,998	
18,843						89,210
888						
25,106			26,594			
17,369						
7,000						
22,609			17,763			
19,872	30		2,140	1,397	80,108	16,391
207,808	77,777	2,250	46,610	11,606	359,591	105,823
(57,037)	(51,717)	(219)	2,502	18,639	(80,418)	(81,706)
66,978						
19,170	3,232	224	10,922		72,934	79,067
(37,922)	(30)			(22,402)		
48,226	3,202	224	10,922	(22,402)	72,934	79,067
(8,811)	(48,515)	5	13,424	(3,763)	(7,484)	(2,639)
91,223	48,515	3	22,886	33,260	18,810	3,353
\$ 82,412	\$ 0	\$ 8	\$ 36,310	\$ 29,497	\$ 11,326	\$ 714
\$ 99,857	\$	\$ 8	\$ 36,717	\$ 29,497	\$ 11,923	\$ 1,352
(17,445)			(407)		(597)	(638)
\$ 82,412	\$ 0	\$ 8	\$ 36,310	\$ 29,497	\$ 11,326	\$ 714

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

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

	Public Properties Corporation Fund	Jail Commissary Fund	Total Funds
RECEIPTS			
Taxes	\$	\$	\$ 1,276,003
In Lieu Tax Payments			60,124
Excess Fees			274,645
Licenses and Permits			72,886
Intergovernmental	913,650		5,022,546
Charges for Services			29,088
Miscellaneous		185,054	600,001
Interest		149	17,561
Total Receipts	<u>913,650</u>	<u>185,203</u>	<u>7,352,854</u>
DISBURSEMENTS			
General Government			918,287
Protection to Persons and Property			1,720,781
General Health and Sanitation			192,728
Social Services			2,088
Recreation and Culture		166,129	220,829
Roads			2,149,903
Airports			7,000
Debt Service	911,650		1,150,410
Administration	2,000		1,334,512
Total Disbursements	<u>913,650</u>	<u>166,129</u>	<u>7,696,538</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>19,074</u>	<u>(343,684)</u>
Other Adjustments to Cash (Uses)			
Financing Obligation Proceeds			233,850
Transfers From Other Funds			1,530,788
Transfers To Other Funds			(1,530,788)
Total Other Adjustments to Cash (Uses)			<u>233,850</u>
Net Change in Fund Balance		19,074	(109,834)
Fund Balance - Beginning (Restated)	4,831	9,369	1,134,191
Fund Balance - Ending	<u>\$ 4,831</u>	<u>\$ 28,443</u>	<u>\$ 1,024,357</u>
Composition of Fund Balance			
Bank Balance	\$ 4,831	\$ 28,443	\$ 1,103,169
Less Outstanding Checks			(78,812)
Ending Fund Balance	<u>\$ 4,831</u>	<u>\$ 28,443</u>	<u>\$ 1,024,357</u>

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

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENT**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	9
NOTE 2.	DEPOSITS AND INVESTMENTS	13
NOTE 3.	TRANSFERS.....	13
NOTE 4.	CUSTODIAL FUNDS.....	14
NOTE 5.	LONG-TERM DEBT.....	14
NOTE 6.	CONDUIT DEBT.....	18
NOTE 7.	EMPLOYEE RETIREMENT SYSTEM	19
NOTE 8.	DEFERRED COMPENSATION.....	22
NOTE 9.	INSURANCE.....	22
NOTE 10.	PRIOR PERIOD ADJUSTMENTS	22

**ADAIR COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2020

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Adair County includes all budgeted and unbudgeted funds under the control of the Adair 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.

B. Basis of Accounting

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

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

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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 manage federal grants received by the county. The primary source of receipts for this fund is federal grants.

Forest Fire Fund - The primary purpose of this fund is to account for money collected for forest protection.

Parks and Recreation Fund - The primary purpose of this fund is to account for receipts and disbursements associated with parks and recreation activities.

ABC Commission Fund - The primary purpose of this fund is to account for activity associated with alcoholic beverage activity. The primary source of receipts for this fund is from alcoholic beverage license fees.

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.

Green River Animal Shelter Fund - The primary purpose of this fund is to provide support of the animal shelter of the county. The primary source of receipts for this fund are from local support, animal adoptions, and inter-local agreements with other counties.

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 debt service of revenue bonds that were issued to fund construction of the justice center. The Department for Local Government does not require the fiscal court to budget or report this fund.

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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information

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

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

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

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

E. Adair County Elected Officials

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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 and Investments

A. Deposits

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

Custodial Credit Risk - Deposits

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

Note 3. Transfers

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

	General Fund	Road Fund	Local Government Economic Assistance Fund	Federal Grant Fund	ABC Commission Fund	Total Transfers In
General Fund	\$	\$ 421,502	\$ 27,000	\$ 30	\$	\$ 448,532
Road Fund	172,000					172,000
Jail Fund	724,707					724,707
Local Government Economic Assistance Fund					19,170	19,170
Forest Fire	224					224
Federal Fund					3,232	3,232
Parks and Recreation Fund			10,922			10,922
911 Fund	72,934					72,934
Green River Animal Shelter Fund	79,067					79,067
Total Transfers Out	\$ 1,048,932	\$ 421,502	\$ 37,922	\$ 30	\$ 22,402	\$ 1,530,788

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

Note 3. Transfers (Continued)

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. In accordance with the regulatory basis of accounting custodial funds are not presented on the financial statement.

The fiscal court has the following custodial fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2020, was \$10,991.

Note 5. Long-term Debt

A. Direct Borrowings and Direct Placements

1. 2017 Financing Obligation - Refunding General Obligation Bond, Series 2007

In May 2011, the Adair County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) to finance the purchase of land to be used for the Christian Life Center. The principal was \$150,000 at a variable interest rate for a period of 120 months. In the case of default, the land is held as collateral. Principal and interest payments are due monthly. The principal balance as of June 30, 2020, was \$15,218. Future principal and interest requirements are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2021	\$ 15,218	\$ 349
Totals	<u>\$ 15,218</u>	<u>\$ 349</u>

2. Energy Savings and Hospital, Series 2014A

On March 27, 2014, the Adair County Fiscal Court entered into a \$1,950,000 agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The purpose was to fund an energy savings project in the amount of \$250,000 and refinance the hospital equipment debt in the amount of \$1,700,000. The energy savings portion requires monthly payments of principal and interest until December 2023. The hospital portion requires monthly and interest payments until December 2028. In the case of default, the payments may become due immediately and further legal options may be initiated. The principal balance of the energy savings portion as of June 30, 2020 was \$ 92,500. The principal balance of the hospital portion as of June 30, 2020, was \$1,055,000. Future principal and interest requirements are as follows:

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

Note 5. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

2. Energy Savings and Hospital, Series 2014A (Continued)

a. Energy Savings Portion

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2021	\$ 25,000	\$ 3,006
2022	25,000	2,194
2023	27,500	1,381
2024	15,000	488
Totals	<u>\$ 92,500</u>	<u>\$ 7,069</u>

b. Hospital Portion

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2021	\$ 110,000	\$ 40,087
2022	112,500	36,513
2023	117,500	32,856
2024	120,000	29,038
2025	122,500	25,138
2026-2029	472,500	48,430
Totals	<u>\$ 1,055,000</u>	<u>\$ 212,062</u>

3. Mack Truck

On October 18, 2016, the Adair County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) to finance the purchase of a dump truck that will be utilized by the road department. The dump truck was purchased for the amount of \$107,994 of which \$100,000 was financed. The principal was \$100,000 at an interest rate of 2.652 percent for a period of 96 months. In the case of default, the vehicle is held for collateral. Interest and principal payments are due monthly. The principal balance as of June 30, 2020, was \$58,846. Future principal and interest requirements are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2021	\$ 12,545	\$ 1,765
2022	12,882	1,326
2023	13,228	876
2024	13,583	414
2025	4,608	33
Totals	<u>\$ 56,846</u>	<u>\$ 4,414</u>

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

Note 5. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

4. Sheriff's Vehicle

On October 17, 2017, the Adair County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) to finance the purchase of a sheriff vehicle. The sheriff vehicle was financed in the amount of \$37,252. The agreement stipulated an interest rate of 3.75 percent for a period of 48 months. In the case of default, the vehicle is held for collateral. Interest and principal payments are due monthly. The principal balance as of June 30, 2020, was \$13,046. Future principal and interest requirements are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2021	\$ 9,723	\$ 323
2022	3,323	26
Totals	<u>\$ 13,046</u>	<u>\$ 349</u>

5. Sheriff's Vehicles

On August 22, 2019, Adair County entered into a lease agreement with Kentucky Association of Counties in the amount of \$66,978 for the purchase of two police vehicles. The agreement stipulated an interest rate of 3.75 percent for a period of 48 months. In the case of default, the vehicles are held as collateral. Interest and principal payments are due monthly. The principal balance as of June 30, 2020, was \$56,943. Future principal and interest requirements are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2021	\$ 12,669	\$ 2,406
2022	13,278	1,797
2023	13,915	1,160
2024	14,583	491
2025	2,498	15
Totals	<u>\$ 56,943</u>	<u>\$ 5,869</u>

6. Capital Equipment

On June 6, 2020, Adair County entered into a lease agreement with Kentucky Association of Counties in the amount of \$25,000 for the remaining funds needed to purchase road equipment. The agreement stipulated an interest rate of 3.75 percent for a period of 18 months. In the case of default, the equipment is held as collateral. Interest payments are due monthly with a lump sum principal payment due on December 20, 2021. The principal balance as of June 30, 2020, was \$25,000. Future principal and interest requirements are as follows:

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

Note 5. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

6. Capital Equipment (Continued)

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2021	\$	\$ 977
2022	25,000	468
Totals	<u>\$ 25,000</u>	<u>\$ 1,445</u>

7. Mack Trucks

On July 17, 2019, Adair County entered into a lease agreement with Kentucky Association of Counties in the amount of \$141,872 for the funds to purchase Mack Trucks. The agreement stipulated an interest rate of 3.675 percent for a period of 18 months. In the case of default, the trucks are held as collateral. Interest payments are due monthly with a lump sum principal payment due on December 20, 2021. This lease was paid off early on March 20, 2020. The principal balance as of June 30, 2020, was zero.

B. Other Debt

1. First Mortgage Refunding Revenue Bonds, Series 2015

On November 4, 2015, the Adair County Public Properties Corporation (PPC), an agency and instrumentality of the Adair County Fiscal Court, issued \$7,265,000 in Refunding Revenue Bonds (Justice Center Project), Series 2015. These bonds mature in varying amounts from \$70,000 to \$900,000 on December 1 of each year from 2018 through 2027. Proceeds of the bonds were used to refund the First Mortgage Revenue Bonds, Series 2007, which was for the purpose of acquisition, construction, installation, and equipping of the Adair County Courthouse Facility. In the case of default, the bonds may called and due immediately. Interest is payable semi-annually on June 1 and December 1 at rates ranging from 2.0% to 3.5% and principal payments are due annually on December 1 of each year. The principal balance as of June 30, 2020, was \$6,485,000. Future principal and interest requirements are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2021	\$ 725,000	\$ 183,675
2022	750,000	161,550
2023	775,000	138,675
2024	800,000	115,050
2025	820,000	90,750
2026-2028	2,615,000	119,325
Totals	<u>\$ 6,485,000</u>	<u>\$ 809,025</u>

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

Note 5. Long-term Debt (Continued)

C. Changes In Long-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 1,402,935	\$ 233,850	\$ 322,232	\$ 1,314,553	\$ 185,155
Revenue Bonds	7,195,000		710,000	6,485,000	725,000
Total Long-term Debt	<u>\$ 8,597,935</u>	<u>\$ 233,850</u>	<u>\$ 1,032,232</u>	<u>\$ 7,799,553</u>	<u>\$ 910,155</u>

D. Aggregate Debt Schedule

The amounts of required principal and interest payments on long-term obligations at June 30, 2020, were as follows:

Fiscal Year Ended June 30	Other Debt		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2021	\$ 725,000	\$ 183,675	\$ 185,155	\$ 48,913
2022	750,000	161,550	191,983	42,324
2023	775,000	138,675	172,143	36,273
2024	800,000	115,050	163,166	30,431
2025	820,000	90,750	129,606	25,186
2026-2029	2,615,000	119,325	472,500	48,430
Totals	<u>\$ 6,485,000</u>	<u>\$ 809,025</u>	<u>\$ 1,314,553</u>	<u>\$ 231,557</u>

Note 6. Conduit Debt

From time to time the county has issued bonds to provide financial assistance to various entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest, in accordance with KRS 103.210. This debt may take the form of certain types of limited-obligation revenue bonds, certificates of participation, or similar debt instruments. Although conduit debt obligations bear the Adair 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.

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

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.

The county's contribution for FY 2018 was \$602,861, FY 2019 was \$612,766, and FY 2020 was \$655,947.

Nonhazardous

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

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

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

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

Hazardous

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

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

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

Note 7. Employee Retirement System (Continued)

Hazardous (Continued)

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

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

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

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

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

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

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

Note 7. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

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

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

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

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

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

C. Cost of Living Adjustments - Tier 1

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

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

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

E. Death Benefit

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

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 Pension 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.

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

Note 8. Deferred Compensation

On January 8, 2002, the Adair 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 40601-8862, or by telephone at (502) 573-7925.

Note 9. Insurance

For the fiscal year ended June 30, 2021, the Adair 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. Prior Period Adjustments

The beginning balance of the road fund and local government economic assistance fund was increased due to prior year voided checks by \$20 and \$164, respectively. The general fund, 911 fund, and green river animal shelter fund beginning balances were decreased due to prior year errors by \$102, \$28, and \$28, respectively.

ADAIR COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2020

THIS PAGE LEFT BLANK INTENTIONALLY

ADAIR COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2020

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,176,600	\$ 1,193,509	\$ 1,175,857	\$ (17,652)
In Lieu Tax Payments	50,000	53,828	60,124	6,296
Excess Fees	234,207	275,831	274,645	(1,186)
Licenses and Permits	54,900	69,071	71,886	2,815
Intergovernmental	320,300	332,722	335,745	3,023
Miscellaneous	172,000	216,426	210,672	(5,754)
Interest	4,000	4,000	2,559	(1,441)
Total Receipts	<u>2,012,007</u>	<u>2,145,387</u>	<u>2,131,488</u>	<u>(13,899)</u>
DISBURSEMENTS				
General Government	745,136	793,907	714,425	79,482
Protection to Persons and Property	38,425	41,898	38,823	3,075
General Health and Sanitation	83,100	96,404	58,932	37,472
Social Services	1,200	1,200	1,200	
Recreation and Culture	6,100	6,100	3,000	3,100
Debt Service	150,812	151,081	151,081	
Administration	666,300	758,863	676,875	81,988
Total Disbursements	<u>1,691,073</u>	<u>1,849,453</u>	<u>1,644,336</u>	<u>205,117</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>320,934</u>	<u>295,934</u>	<u>487,152</u>	<u>191,218</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds		25,000	25,000	
Transfers From Other Funds	223,513	223,513	448,531	225,018
Transfers To Other Funds	(841,075)	(841,075)	(1,048,932)	(207,857)
Total Other Adjustments to Cash (Uses)	<u>(617,562)</u>	<u>(592,562)</u>	<u>(575,401)</u>	<u>17,161</u>
Net Change in Fund Balance	(296,628)	(296,628)	(88,249)	208,379
Fund Balance Beginning	<u>296,628</u>	<u>296,628</u>	<u>136,221</u>	<u>(160,407)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 47,972</u>	<u>\$ 47,972</u>

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

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,834,250	\$ 2,508,118	\$ 2,494,792	\$ (13,326)
Miscellaneous	1,600	6,209	4,928	(1,281)
Interest	7,000	10,692	11,559	867
Total Receipts	<u>1,842,850</u>	<u>2,525,019</u>	<u>2,511,279</u>	<u>(13,740)</u>
DISBURSEMENTS				
General Government	21,528	21,528	16,102	5,426
General Health and Sanitation	34,607	34,607	25,743	8,864
Roads	2,117,929	2,377,330	2,132,534	244,796
Debt Service	14,410	19,935	18,488	1,447
Administration	170,863	718,209	163,542	554,667
Total Disbursements	<u>2,359,337</u>	<u>3,171,609</u>	<u>2,356,409</u>	<u>815,200</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(516,487)</u>	<u>(646,590)</u>	<u>154,870</u>	<u>801,460</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds	140,000	141,872	141,872	
Transfers From Other Funds			172,000	172,000
Transfers To Other Funds	<u>(223,513)</u>	<u>(223,513)</u>	<u>(421,502)</u>	<u>(197,989)</u>
Total Other Adjustments to Cash (Uses)	<u>(83,513)</u>	<u>(81,641)</u>	<u>(107,630)</u>	<u>(25,989)</u>
Net Change in Fund Balance	(600,000)	(728,231)	47,240	775,471
Fund Balance Beginning	<u>600,000</u>	<u>728,231</u>	<u>728,312</u>	<u>81</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 775,552</u>	<u>\$ 775,552</u>

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

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,057,900	\$ 1,114,056	\$ 919,171	\$ (194,885)
Charges for Services	37,300	40,074	29,088	(10,986)
Miscellaneous	130,000	130,175	100,944	(29,231)
Interest	500	505	522	17
Total Receipts	<u>1,225,700</u>	<u>1,284,810</u>	<u>1,049,725</u>	<u>(235,085)</u>
DISBURSEMENTS				
General Government	6,000	6,000	4,271	1,729
Protection to Persons and Property	1,452,859	1,509,440	1,399,302	110,138
Debt Service	28,600	28,819	28,819	
Administration	390,206	429,674	372,157	57,517
Total Disbursements	<u>1,877,665</u>	<u>1,973,933</u>	<u>1,804,549</u>	<u>169,384</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(651,965)</u>	<u>(689,123)</u>	<u>(754,824)</u>	<u>(65,701)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>651,965</u>	<u>651,965</u>	<u>724,708</u>	<u>72,743</u>
Total Other Adjustments to Cash (Uses)	<u>651,965</u>	<u>651,965</u>	<u>724,708</u>	<u>72,743</u>
Net Change in Fund Balance		(37,158)	(30,116)	7,042
Fund Balance Beginning		<u>37,158</u>	<u>37,408</u>	<u>250</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7,292</u>	<u>\$ 7,292</u>

ADAIR COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2020

(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 75,699	\$ 148,922	\$ 148,922	\$
Miscellaneous	100	100		(100)
Interest	1,200	1,702	1,849	147
Total Receipts	76,999	150,724	150,771	47
DISBURSEMENTS				
General Government	21,220	98,105	93,713	4,392
Protection to Persons and Property	11,900	11,900	2,408	9,492
General Health and Sanitation	20,300	20,300	18,843	1,457
Social Services	1,600	2,600	888	1,712
Recreation and Culture	30,000	25,106	25,106	
Roads	50,000	50,000	17,369	32,631
Airports	7,000	7,000	7,000	
Debt Service	10,047	23,482	22,609	873
Administration	16,400	95,148	19,872	75,276
Total Disbursements	168,467	333,641	207,808	125,833
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(91,468)	(182,917)	(57,037)	125,880
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds		66,978	66,978	
Transfers From Other Funds	16,468	16,468	19,170	2,702
Transfers To Other Funds			(37,922)	(37,922)
Total Other Adjustments to Cash (Uses)	16,468	83,446	48,226	(35,220)
Net Change in Fund Balance	(75,000)	(99,471)	(8,811)	90,660
Fund Balance Beginning	75,000	91,223	91,223	
Fund Balance - Ending	\$ 0	\$ (8,248)	\$ 82,412	\$ 90,660

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

FEDERAL GRANTS FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$	\$ 26,000	\$ 26,030	\$ 30
Interest		30	30	
Total Receipts		26,030	26,060	30
DISBURSEMENTS				
General Government		77,747	77,747	
Administration		30	30	
Total Disbursements		77,777	77,777	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(51,747)	(51,717)	30
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			3,232	3,232
Transfers To Other Funds			(30)	(30)
Total Other Adjustments to Cash (Uses)			3,202	3,202
Net Change in Fund Balance		(51,747)	(48,515)	3,232
Fund Balance Beginning		48,515	48,515	
Fund Balance - Ending	\$ 0	\$ (3,232)	\$ 0	\$ 3,232

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

FOREST FIRE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,900	\$ 2,019	\$ 2,019	\$
Interest	8	12	12	
Total Receipts	1,908	2,031	2,031	
DISBURSEMENTS				
Protection to Persons and Property	2,250	2,250	2,250	
Administration		126		126
Total Disbursements	2,250	2,376	2,250	126
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(342)	(345)	(219)	126
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	342	342	224	(118)
Total Other Adjustments to Cash (Uses)	342	342	224	(118)
Net Change in Fund Balance		(3)	5	8
Fund Balance Beginning		3	3	
Fund Balance - Ending	\$ 0	\$ 0	\$ 8	\$ 8

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

PARKS AND RECREATION FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 30,000	\$ 30,000	\$ 12,610	\$ (17,390)
Miscellaneous	11,500	24,311	36,190	11,879
Interest	350	350	312	(38)
Total Receipts	41,850	54,661	49,112	(5,549)
DISBURSEMENTS				
General Government	150	150	113	37
Recreation and Culture	30,375	35,975	26,594	9,381
Debt Service	17,763	17,763	17,763	
Administration	13,562	34,581	2,140	32,441
Total Disbursements	61,850	88,469	46,610	41,859
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(20,000)	(33,808)	2,502	36,310
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			10,922	10,922
Total Other Adjustments to Cash (Uses)			10,922	10,922
Net Change in Fund Balance	(20,000)	(33,808)	13,424	47,232
Fund Balance - Beginning (Restated)	20,000	22,886	22,886	
Fund Balance - Ending	\$ 0	\$ (10,922)	\$ 36,310	\$ 47,232

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

ABC COMMISSION FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Licenses and Permits	\$ 5,250	\$ 5,250	\$ 1,000	\$ (4,250)
Miscellaneous	20,000	28,912	28,912	
Interest	175	302	333	31
Total Receipts	25,425	34,464	30,245	(4,219)
DISBURSEMENTS				
General Government	34,852	12,457	10,209	2,248
Administration	10,573	32,865	1,397	31,468
Total Disbursements	45,425	45,322	11,606	33,716
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(20,000)	(10,858)	18,639	29,497
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(22,402)	(22,402)
Total Other Adjustments to Cash (Uses)			(22,402)	(22,402)
Net Change in Fund Balance	(20,000)	(10,858)	(3,763)	7,095
Fund Balance Beginning	20,000	33,260	33,260	
Fund Balance - Ending	\$ 0	\$ 22,402	\$ 29,497	\$ 7,095

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

911 FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 148,200	\$ 148,200	\$ 98,127	\$ (50,073)
Intergovernmental	160,000	180,101	180,101	
Miscellaneous	150	592	736	144
Interest	100	188	209	21
Total Receipts	308,450	329,081	279,173	(49,908)
DISBURSEMENTS				
General Government	2,500	2,500	1,485	1,015
Protection to Persons and Property	300,850	317,271	277,998	39,273
Administration	85,400	108,420	80,108	28,312
Total Disbursements	388,750	428,191	359,591	68,600
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)				
	(80,300)	(99,110)	(80,418)	18,692
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	80,300	80,300	72,934	(7,366)
Total Other Adjustments to Cash (Uses)	80,300	80,300	72,934	(7,366)
Net Change in Fund Balance				
		(18,810)	(7,484)	11,326
Fund Balance Beginning		18,810	18,810	
Fund Balance - Ending				
	\$ 0	\$ 0	\$ 11,326	\$ 11,326

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

GREEN RIVER ANIMAL SHELTER FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 21,510	\$ 22,590	\$ 17,555	\$ (5,035)
Miscellaneous	6,800	7,183	6,535	(648)
Interest	15	26	27	1
Total Receipts	28,325	29,799	24,117	(5,682)
DISBURSEMENTS				
General Government	325	325	222	103
General Health and Sanitation	92,080	99,200	89,210	9,990
Administration	27,920	25,627	16,391	9,236
Total Disbursements	120,325	125,152	105,823	19,329
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(92,000)	(95,353)	(81,706)	13,647
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	92,000	92,000	79,067	(12,933)
Total Other Adjustments to Cash (Uses)	92,000	92,000	79,067	(12,933)
Net Change in Fund Balance		(3,353)	(2,639)	714
Fund Balance Beginning		3,353	3,353	
Fund Balance - Ending	\$ 0	\$ 0	\$ 714	\$ 714

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

June 30, 2020

Note 1. Budgetary Information

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

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

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

ADAIR COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2020

THIS PAGE LEFT BLANK INTENTIONALLY

ADAIR COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2020

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 2,068,845	\$	\$	\$ 2,068,845
Buildings and Building Improvements	16,934,336			16,934,336
Vehicles and Equipment	2,300,436	267,495	408,611	2,159,320
Other Equipment	430,729		280,448	150,281
Infrastructure	16,911,976	1,073,133		17,985,109
 Total Capital Assets	 <u>\$ 38,646,322</u>	 <u>\$ 1,340,628</u>	 <u>\$ 689,059</u>	 <u>\$ 39,297,891</u>

ADAIR COUNTY
NOTES TO OTHER INFORMATION - REGULATORY INFORMATION
SCHEDULE OF CAPITAL ASSETS

June 30, 2020

Note 1. Capital Assets

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

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

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

THIS PAGE LEFT BLANK INTENTIONALLY



PATRICK & ASSOCIATES, LLC

124 Candlewood Drive
Winchester, KY 40391

The Honorable Gale Cowan, Adair County Judge/Executive
Members of the Adair 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 Adair County Fiscal Court for the fiscal year ended June 30, 2020, and the related notes to the financial statement which collectively comprise the Adair County Fiscal Court's financial statement and have issued our report thereon dated August 25, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Adair County Fiscal Court's internal control over financial reporting (internal control) to determine 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 Adair County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Adair 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 were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified a certain deficiencies in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2020-001 and 2020-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2020-004 to be a significant deficiency.

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 Adair 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matter that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Responses as items 2020-001 and 2020-003.

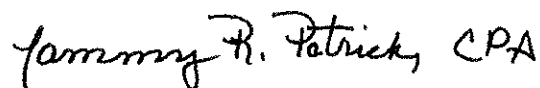
Views of Responsible Officials and Planned Corrective Action

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

Purpose of this Report

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

Respectfully submitted,

A handwritten signature in black ink that reads "Tammy R. Patrick, CPA". The signature is written in a cursive, flowing style.

Tammy R. Patrick, CPA
Patrick & Associates, LLC

August 25, 2022

ADAIR COUNTY
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended June 30, 2020

ADAIR COUNTY
SCHEDULE OF FINDINGS AND RESPONSES

Fiscal Year Ended June 30, 2020

2020-001 The Former Jailer Failed To Properly Implement Controls Over The Inmate Account Which Resulted In Missing Deposits Totaling \$204,405 Over A Three-Year Period

This is a repeat finding and was included in the prior year report as finding 2019-001. The former jailer failed to implement controls over the inmate account, which resulted in missing deposits totaling \$204,405 over a three-year period. For the fiscal years ended June 30, 2018, June 30, 2019, and June 30, 2020, the missing deposits were \$80,987, \$97,451, and \$25,967, respectively.

Reported by the county as an Agency Trust Fund, the inmate account is utilized for holding funds received by or on behalf of the inmates of the jail. Individual inmate balances are reduced for any applicable fees charged by the jail as well as purchases made by the inmate from the commissary. Upon release from the jail, the remaining balance is refunded to inmates.

Upon review of the inmate account, the auditors noted the following deficiencies:

- a. There was inadequate segregation of duties over the removal, recording, and depositing of cash received in the kiosk machines located within the jail.
- b. Inmate account bank statements were not reviewed by an individual independent of the accounting functions.
- c. Monthly reconciliations of the inmate bank account were not being prepared.
- d. Daily checkout sheets were not being prepared.
- e. Deposits were not made on a daily basis.
- f. Any disbursement from the account including refunds to the inmates were not reviewed by an individual independent of the accounting functions.

The former jailer failed to implement adequate internal controls over the inmate account and its activity, which resulted in missing deposits of \$25,967 for fiscal year ending June 30, 2020 and totaling \$204,405 over a three-year period.

Implementation of adequate internal controls is essential for providing protection from asset misappropriation and inaccurate financial reporting. In addition, 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 jailers to maintain monthly bank reconciliations, daily checkout sheets, and receipts and disbursements ledgers.

We recommend the jailer implement adequate internal controls over accounting functions and all activity of the inmate account in order to protect from asset misappropriation.

County Judge/Executive's Response: This account is not handled in the judge's office and is the sole responsibility of the jailer.

County Jailer's Response: Comment is for audit period July 1, 2019 through June 30, 2020. I was appointed jailer on June 16, 2021; therefore, this occurred under the former jailer. Starting June 16, 2021, I implemented oversight to prevent this from happening again.

ADAIR COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended June 30, 2020
(Continued)

2020-002 The Adair County Jail Lacks Adequate Segregation Of Duties

This is a repeat finding and was included in the prior year report as finding 2019-002. The Adair County Jail lacks adequate segregation of duties. The bookkeeper (administrator) receives cash, prepares bank deposits and takes the deposits to the bank for both inmate and canteen accounts. The bookkeeper compiles invoices, prepares disbursements and signs the disbursement checks for both the inmate and canteen accounts. Additionally, the bookkeeper was responsible for the bank reconciliations and monthly reports to fiscal court. The jailer co-signed all checks but no evidence was found the checks were compared to source documents. Furthermore, there was no evidence available there was any oversight over receipts, disbursements or reconciliations.

The jailer did not have controls in place to ensure that staff knew the requirements and did not provide oversight to ensure requirements were followed.

The lack of segregation of duties allowed misappropriation of assets to occur.

Segregation of duties over various accounting functions is essential for providing protection from asset misappropriation and inaccurate financial reporting. Good internal controls further dictate that one person should not have complete control over the incompatible duties of preparing deposits, preparing checks, signing checks, posting to ledgers, reconciliations of ledgers to bank accounts and preparing monthly/yearly reports. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities

We recommend the Adair County Jailer segregate the accounting duties in his office. If this is not feasible due to limited number of staff, strong oversight over these areas should occur and involve the jailer or an employee that is not currently performing any of those functions. For example, if the bookkeeper posts receipts to the ledger then the jailer could compare the ledger posting, the daily checkout and the bank deposit ticket to ensure accuracy. This oversight should be documented by initialing the source documents.

County Judge/Executive's Response: This is the responsibility of the jailer and his staff. Not controlled in judge's office.

County Jailer's Response: County Jailer's Response: Comment is for audit period July 1, 2019 through June 30, 2020. I was appointed jailer on June 16, 2021; therefore, this occurred under the former jailer. Starting June 16, 2021, I implemented oversight to offset the lack of adequate segregation of duties. I review daily deposits, bank reconciliations, and the annual commissary report. In addition, I sign the checks after review of invoices.

ADAIR COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended June 30, 2020
(Continued)

2020-003 The Former Jailer Failed To Remit Sales Tax Reports Timely

This is a repeat finding and was included in the prior year report as finding 2019-004. The former jailer failed to ensure that sales tax reports are filed timely. The reports for July 2019 and September 2019 were submitted late, which resulted in penalties and interest totaling \$44 being applied.

Due to a lack of oversight over accounting functions by the jailer, sales tax reports were not filed timely for two months, which resulted in penalties and interest being charged.

KRS 139.540 and KRS 139.550 require sales tax to be reported monthly to the Kentucky Department of Revenue on or before the twentieth day of the following month. However, KRS 139.590 permits the Kentucky Department of Revenue to require the reporting to be submitted quarterly on or before the twentieth day of the month following the end of each quarter.

We recommend the jailer submit sales tax reports in a timely manner in order to avoid being charged penalties and interest.

County Judge/Executive's Response: This is the responsibility of the jailer and his staff. Not controlled in judge's office.

County Jailer's Response: County Jailer's Response: County Jailer's Response: Comment is for audit period July 1, 2019 through June 30, 2020. I was appointed jailer on June 16, 2021; therefore, this occurred under the former jailer.

2020-004 The Adair County Fiscal Court Lacks Adequate Segregation Of Duties

This is a repeat finding and was included in the prior year as finding 2019-006. The fiscal court does not have adequate segregation of duties. Although mail is received by the administrative assistant, the treasurer rotates the duties of preparing deposits with the finance officer and then posts the deposits to the receipts ledger. Additionally, both the finance officer and treasurer rotate the duty of preparing disbursement checks (which are automatically posted to the ledger by the computer system). The treasurer is also responsible for reconciling bank accounts and preparing monthly or quarterly reports. The fiscal court has instituted some compensating controls; however they were not documented to offset this risk.

According to the judge/executive, the county has a limited amount of funds available to hire additional office personnel.

When one person is responsible for the entire accounting cycle the chances of undetected misappropriation of assets or inaccurate financial reporting increases.

A segregation of duties over various accounting functions, collecting receipts, preparing bank deposits, and preparing reports and reconciliations, or the implementation of compensating controls, when needed because the number of staff is limited, is essential for providing protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

ADAIR COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended June 30, 2020
(Continued)

2020-004 The Adair County Fiscal Court Lacks Adequate Segregation Of Duties (Continued)

To adequately protect against undetected misappropriation of assets and inaccurate financial reporting, we recommend the fiscal court separate the duties involving depositing of receipts, preparation of disbursements, preparation of reports and reconciliations. If this is not feasible due to limited number of staff, strong oversight over these areas could occur and involve an employee that is not currently performing any of those functions. For example, the county judge/executive could provide this oversight and document her oversight by initialing the source documents.

County Judge/Executive's Response: With limited staff it is hard to have multiple people on some duties. We have made numerous steps since I became judge/executive to minimize the chance of errors. I view all daily receipt logs and balance to the treasurer's daily entry. Deposit tickets are being signed before going to the bank and after coming back so they can be balance to the bank receipt logs. I balance bank statements monthly to the treasurer's monthly report and I view all invoice's before signing checks.

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

ADAIR COUNTY FISCAL COURT

For The Year Ended June 30, 2020

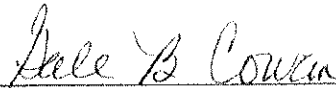
Appendix A

THIS PAGE LEFT BLANK INTENTIONALLY

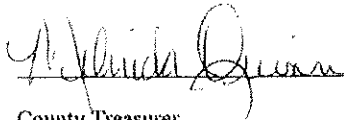
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
ADAIR COUNTY FISCAL COURT

For The Year Ended June 30, 2020

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



County Judge/Executive



County Treasurer

91A.040 Annual and biennial city audits -- Exemption -- Financial statement -- Publication -- Contents -- Enforcement action -- Penalties -- Extension -- Withholding of state funds for noncompliance -- Audit expenses to be billed to audited city.

- (1) Except as provided in subsections (2) to (4) of this section, each city shall, after the close of each fiscal year, cause each fund of the city to be audited by the Auditor of Public Accounts or a certified public accountant. The audit shall be completed by February 1 immediately following the fiscal year being audited. The city shall forward an electronic copy of the audit report to the Department for Local Government for information purposes by no later than March 1 immediately following the fiscal year being audited.
- (2) In lieu of the annual audit requirements in subsection (1) of this section, a city with a population equal to or less than one thousand (1,000) based upon the most recent federal decennial census may elect to have an audit performed every other fiscal year in the following manner:
 - (a) After the close of each odd-numbered fiscal year, the city shall for that odd-numbered year cause each fund of the city to be audited by the Auditor of Public Accounts or a certified public accountant. The audits shall be completed by February 1 immediately following the fiscal year to be audited. The city shall forward an electronic copy of the audit report to the Department for Local Government for information purposes by no later than March 1 immediately following the fiscal year being audited; and
 - (b) After the close of each even-numbered fiscal year, the city shall not be required to complete an annual audit but shall forward an electronic copy of its financial statement prepared in accordance with KRS 424.220 to the Department for Local Government by no later than October 1 immediately following the close of the even-numbered fiscal year.
- (3) In lieu of the annual audit requirements in subsection (1) of this section, a city with a population of more than one thousand (1,000) but less than two thousand (2,000) based upon the most recent federal decennial census may elect to have an audit performed every other fiscal year to cover the two (2) fiscal years occurring since the prior audit in the following manner:
 - (a) After the close of each odd-numbered fiscal year, the city shall cause each fund of the city to be audited by the Auditor of Public Accounts or a certified public accountant. The audit shall include both fiscal years since the prior audit and shall be completed by February 1 immediately following the fiscal years to be audited. The city shall forward an electronic copy of the audit report to the Department for Local Government for information purposes by no later than March 1 immediately following the fiscal years being audited; and
 - (b) After the close of each even-numbered fiscal year, the city shall not be required to complete an annual audit but shall forward an electronic copy of its financial statement prepared in accordance with KRS 424.220 to the Department for Local Government by no later than October 1 immediately

following the close of the even-numbered fiscal year.

- (4) Any city, which for any fiscal year receives and expends, from all sources and for all purposes, less than seventy-five thousand dollars (\$75,000), and which has no long-term debt, whether general obligation or revenue debt, shall not be required to audit each fund of the city for that particular fiscal year. Each city exempted in accordance with this subsection shall annually prepare a financial statement in accordance with KRS 424.220 and shall, not later than October 1 following the conclusion of the fiscal year, forward one (1) electronic copy to the Department for Local Government for information purposes.
- (5) If a city is required by another provision of law to audit its funds more frequently or more stringently than is required by this section, the city shall also comply with the provisions of that law.
- (6) The Department for Local Government shall, upon request, make available electronic copies of the audit reports and financial statements received by it under subsections (1) to (4) of this section to the Legislative Research Commission to be used for the purposes of KRS 6.955 to 6.975 or to the Auditor of Public Accounts.
- (7) Each city required by this section to conduct an annual or biennial audit shall enter into a written contract with the selected auditor. The contract shall set forth all terms and conditions of the agreement which shall include but not be limited to requirements that:
 - (a) The auditor be employed to examine the basic financial statements, which shall include the government-wide and fund financial statements;
 - (b) The auditor shall include in the annual or biennial city audit report an examination of local government economic assistance funds granted to the city under KRS 42.450 to 42.495. The auditor shall include a certification with the annual or biennial audit report that the funds were expended for the purpose intended;
 - (c) All audit information be prepared in accordance with generally accepted governmental auditing standards which include tests of the accounting records and auditing procedures considered necessary in the circumstances. Where the audit is to cover the use of state or federal funds, appropriate state or federal guidelines shall be utilized;
 - (d) The auditor shall prepare a typewritten or printed report embodying:
 - 1. The basic financial statements and accompanying supplemental and required supplemental information;
 - 2. The auditor's opinion on the basic financial statements or reasons why an opinion cannot be expressed; and
 - 3. Findings required to be reported as a result of the audit;
 - (e) The completed audit and all accompanying documentation shall be presented to the city legislative body at a regular or special meeting; and
 - (f) Any contract with a certified public accountant for an audit shall require the accountant to forward a copy of the audit report and management letters to the Auditor of Public Accounts upon request of the city or the Auditor of Public

Accounts, and the Auditor of Public Accounts shall have the right to review the certified public accountant's work papers upon request.

- (8) A copy of an audit report which meets the requirements of this section shall be considered satisfactory and final in meeting any official request to a city for financial data, except for statutory or judicial requirements, or requirements of the Legislative Research Commission necessary to carry out the purposes of KRS 6.955 to 6.975.
- (9) Each city shall, within thirty (30) days after the presentation of an audit to the city legislative body, publish an advertisement in accordance with KRS Chapter 424 containing:
 - (a) The auditor's opinion letter;
 - (b) The "Budgetary Comparison Schedules-Major Funds," which shall include the general fund and all major funds;
 - (c) A statement that a copy of the complete audit report, including financial statements and supplemental information, is on file at city hall and is available for public inspection during normal business hours;
 - (d) A statement that any citizen may obtain from city hall a copy of the complete audit report, including financial statements and supplemental information, for his personal use;
 - (e) A statement which notifies citizens requesting a personal copy of the city audit report that they will be charged for duplication costs at a rate that shall not exceed twenty-five cents (\$0.25) per page; and
 - (f) A statement that copies of the financial statement prepared in accordance with KRS 424.220, when a financial statement is required by KRS 424.220, are available to the public at no cost at the business address of the officer responsible for preparation of the statement.
- (10) Any resident of the city or owner of real property within the city may bring an action in the Circuit Court to enforce the provisions of this section. Any person who violates any provision of this section shall be fined not less than fifty dollars (\$50) nor more than five hundred dollars (\$500). In addition, any officer who fails to comply with any of the provisions of this section shall, for each failure, be subject to a forfeiture of not less than fifty dollars (\$50) nor more than five hundred dollars (\$500), in the discretion of the court, which may be recovered only once in a civil action brought by any resident of the city or owner of real property within the city. The costs of all proceedings, including a reasonable fee for the attorney of the resident or property owner bringing the action, shall be assessed against the unsuccessful party.
- (11) In the event of extenuating circumstances that prevent a city from completing and submitting a required audit or financial statement in compliance with the applicable deadlines in subsections (1) to (4) of this section, the city may submit a written request for an extension of time to the Department for Local Government on a form prescribed by the Department for Local Government. The Department for Local Government shall approve the request if it is submitted on or before the applicable

deadline and, in the judgment of the Department for Local Government, the request is warranted by extenuating circumstances beyond the control of the city. Extensions granted under this subsection shall not exceed nine (9) months from the original due date of the audit or financial statement. If the Department for Local Government approves an extension for a city and the city fails to complete and submit the required audit or financial statement in compliance with that extended deadline, then the provisions of subsection (12) of this section shall apply.

- (12) If a city fails to complete an audit or financial statement and submit it to the Department for Local Government as required in subsections (1) to (4) and (11) of this section, the Department for Local Government shall notify the Finance and Administration Cabinet that the city has failed to comply with the audit requirements of this section, and that any funds in the possession of any agency, entity, or branch of state government shall be withheld from the city until further notice. The Department for Local Government shall immediately notify the Finance and Administration Cabinet when the city complies with the requirements of subsections (1) to (4) and (11) of this section for all prior fiscal years it has failed to comply with the audit requirements of this section, and the Finance and Administration Cabinet shall direct the reinstatement of payments to the city, including any funds that were withheld due to the noncompliance.
- (13) Within a reasonable time after the completion of a special audit or examination conducted pursuant to KRS 43.050, the Auditor shall bill the city for the actual expense of the audit or examination conducted. The actual expense shall include the hours of work performed on the audit or examination as well as reasonable associated costs, including but not limited to travel costs. The bill submitted to the city shall include a statement of the hourly rate, total hours, and total costs for the entire audit or examination.

Effective: June 27, 2019

History: Amended 2019 Ky. Acts ch. 91, sec. 1, effective June 27, 2019. -- Amended 2018 Ky. Acts ch. 10, sec. 1, effective July 14, 2018. -- Amended 2016 Ky. Acts ch. 17, sec. 2, effective July 15, 2016. -- Amended 2014 Ky. Acts ch. 5, sec. 3, effective July 15, 2014; and ch. 92, sec. 88, effective January 1, 2015. -- Amended 2010 Ky. Acts ch. 117, sec. 68, effective July 15, 2010. -- Amended 2007 Ky. Acts ch. 47, sec. 62, effective June 26, 2007. -- Amended 2006 Ky. Acts ch. 8, sec. 2, effective July 12, 2006. -- Amended 2000 Ky. Acts ch. 89, sec. 1, effective July 14, 2000. -- Amended 1998 Ky. Acts ch. 69, sec. 46, effective July 15, 1998. -- Amended 1992 Ky. Acts ch. 33, sec. 4, effective July 14, 1992. -- Amended 1990 Ky. Acts ch. 52, sec. 1, effective July 13, 1990. -- Amended 1986 Ky. Acts ch. 331, sec. 22, effective July 15, 1986. -- Amended 1984 Ky. Acts ch. 111, sec. 173, effective July 13, 1984. - - Amended 1982 Ky. Acts ch. 393, sec. 45, effective July 15, 1982; ch. 407, sec. 1, effective July 15, 1982; and ch. 430, sec. 1, effective July 15, 1982. -- Created 1980 Ky. Acts ch. 232, sec. 4, effective July 15, 1980.



PATRICK & ASSOCIATES, LLC

Tammy Patrick, CPA
tammy@patrickassoc.com
(859) 808-1329

Beth Francis
beth@patrickassoc.com
(859) 333-2360

Publication Requirements

Attached you will find the two relevant KRS statutes that apply to publishing for counties. KRS 424.220 (6) talks about what counties have to publish. However, paragraph 8 of that statute allows for counties to publish the way cities have to publish as set forth in KRS 91A.040 (8). This results in less for the county to publish. Here is the detail from the KRS showing what is required to be published:

KRS 91A.040 (8) Each city shall, within thirty (30) days after the presentation of an audit to the city legislative body, publish an advertisement in accordance with KRS Chapter 424 containing:

- (a) The auditor's opinion letter;
- (b) The "Budgetary Comparison Schedules-Major Funds," which shall include the general fund and all major funds;
- (c) A statement that a copy of the complete audit report, including financial statements and supplemental information, is on file at city hall and is available for public inspection during normal business hours;
- (d) A statement that any citizen may obtain from city hall a copy of the complete audit report, including financial statements and supplemental information, for his personal use;
- (e) A statement which notifies citizens requesting a personal copy of the city audit report that they will be charged for duplication costs at a rate that shall not exceed twenty-five cents (\$0.25) per page; and
- (f) A statement that copies of the financial statement prepared in accordance with KRS 424.220, when a financial statement is required by KRS 424.220, are available to the public at no cost at the business address of the officer responsible for preparation of the statement.

You will want to publish pages 1-3 and 25-34 of your audit report and then for (c) – (f) just make as bullet point statements like this:

- A copy of the complete audit report of Adair County Fiscal Court for the year ending June 30, 2020, including financial statements and supplemental information, is on file at the Adair County courthouse and is available for public inspection during normal business hours.
- Any citizen may obtain from the Adair County courthouse a copy of the complete audit report, including financial statements and supplemental information, for his personal use.

- Citizens requesting a personal copy of Adair County's audit report will be charged for duplication costs at a rate that shall not exceed twenty-five cents (\$0.25) per page.
- Copies of the financial statement prepared in accordance with KRS 424.220, when a financial statement is required by KRS 424.220, are available to the public at no cost at the Adair County courthouse located at {Insert Address}.

Please let us know if you have any questions on your publication requirements.

424.220 Financial statements -- Contents -- Publication requirements -- Exempted officers.

- (1) Excepting officers who are exempted under subsection (8) of this section, every public officer of any school district, city, county, or district less than a county, or of any board, commission, or other authority of a city, county, or district whose duty it is to collect, receive, have the custody, control, or disbursement of any funds collected from the public in any form shall, at the expiration of each fiscal year, prepare an itemized, sworn statement of the funds collected, received, held, or disbursed by him or her during the fiscal year just closed, unless he or she has complied with KRS 424.230.
- (2) The statement shall show:
 - (a) The total amount of funds collected and received during the fiscal year from each individual source; and
 - (b) The total amount of funds disbursed during the fiscal year to each individual payee. The list shall include only aggregate amounts to vendors exceeding one thousand dollars (\$1,000).
- (3) Only the totals of amounts paid to each individual as salary or commission and public utility bills shall be shown. The amount of salaries paid to all nonelected county employees shall be shown as lump-sum expenditures by category, including but not limited to road department, jails, solid waste, public safety, and administrative personnel.
- (4) The financial reporting and publishing requirements for a school district are provided in KRS 160.463.
- (5) The officer shall procure and include in or attach to the financial statement, as a part thereof, a certificate from the cashier or other proper officer of the banks in which the funds are or have been deposited during the past year, showing the balance, if any, of funds to the credit of the officer making the statement.
- (6) To provide notice to the public that the city's financial statement has been completed as required by this section:
 - (a) The appropriate officer of a city that has performed an audit under KRS 91A.040 for the fiscal year or years, including the appropriate officer of any municipally owned electric, gas, or water system, shall publish the audit report in accordance with KRS 91A.040(9); and
 - (b) The appropriate officer of a city that has not conducted an annual audit for the fiscal year under one (1) of the exceptions provided in KRS 91A.040(2), (3), or (4) shall publish a legal display advertisement of not less than six (6) column inches in a newspaper qualified under KRS 424.120 that the statement required by subsection (1) of this section has been prepared and that copies have been provided to each local newspaper of general circulation, each news service, and each local radio and television station which has on file with the city a written request to be provided a statement. The advertisement shall be published within ninety (90) days after the close of the fiscal year.
- (7) To provide notice to the public that the county's financial statement has been

completed as required by this section, the appropriate officer of a county shall publish the county's audit, prepared in accordance with KRS 43.070 or 64.810, in the same manner that city audits are published in accordance with KRS 91A.040(9).

- (8) The provisions of this section shall not apply to officers of:
- (a) A city of the first class;
 - (b) A county containing a city of the first class;
 - (c) A consolidated local government;
 - (d) An urban-county government;
 - (e) A city with a population equal to or greater than twenty thousand (20,000) based upon the most recent federal decennial census;
 - (f) A public agency or joint public agency of a:
 - 1. City of the first class;
 - 2. Consolidated local government; or
 - 3. County containing a city of the first class; or
 - (g) A school district of a:
 - 1. City of the first class;
 - 2. Consolidated local government; or
 - 3. County containing a city of the first class.

Effective: June 27, 2019

History: Amended 2019 Ky. Acts ch. 91, sec. 2, effective June 27, 2019. -- Amended 2018 Ky. Acts ch. 10, sec. 2, effective July 14, 2018; ch. 171, sec. 8, effective April 14, 2018; and ch. 207, sec. 8, effective April 27, 2018. -- Amended 2014 Ky. Acts ch. 92, sec. 309, effective January 1, 2015. -- Amended 2011 Ky. Acts ch. 46, sec. 2, effective June 8, 2011. -- Amended 2006 Ky. Acts ch. 8, sec. 6, effective July 12, 2006. -- Amended 2002 Ky. Acts ch. 346, sec. 232, effective July 15, 2002. -- Amended 1998 Ky. Acts ch. 69, sec. 79, effective July 15, 1998. -- Amended 1990 Ky. Acts ch. 52, sec. 3, effective July 13, 1990. -- Amended 1988 Ky. Acts ch. 32, sec. 2, effective July 15, 1988. -- Amended 1984 Ky. Acts ch. 277, sec. 1, effective July 13, 1984. -- Amended 1982 Ky. Acts ch. 430, sec. 7, effective July 15, 1982. -- Amended 1978 Ky. Acts ch. 384, sec. 526, effective June 17, 1978. -- Amended 1976 Ky. Acts ch. 71, sec. 1. -- Amended 1962 Ky. Acts ch. 170, sec. 1. -- Amended 1960 Ky. Acts ch. 168, sec. 1. -- Created 1958 Ky. Acts ch. 42, sec. 12.