

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

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



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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

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



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

As described in Note 1 of the financial statement, the financial statement is prepared by the Hopkins 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 Hopkins County Fiscal Court as of June 30, 2021, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

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

Other Matters

Supplementary and Other Information

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

To the People of Kentucky
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Other Matters (Continued)

Supplementary and Other Information (Continued)

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2022, on our consideration of the Hopkins County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hopkins County Fiscal Court's internal control over financial reporting and compliance.

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

- 2021-001 The Schedule Of Expenditures Of Federal Awards Was Overstated
- 2021-002 Material Weaknesses Exist Over The Reporting Of Liabilities And Debt
- 2021-003 The Fourth Quarter Financial Statement Did Not Include All Approved Budget Amendments
- 2021-004 The Hopkins County Fiscal Court Did Not Maintain Proper Accounting Records For The Public Properties Corporation
- 2021-005 Occupational Tax Receipts Were Not Processed Or Deposited Timely

Respectfully submitted,



Mike Harmon
 Auditor of Public Accounts

June 2, 2022

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

Jack Whitfield, Jr.	County Judge/Executive
Ricky Whitaker	Magistrate
Bill Rudd	Magistrate
Vicki Thomison	Magistrate
Ronnie Noel	Magistrate
Billy Parrish	Magistrate
Charlie Beshears	Magistrate
Hannah Myers	Magistrate

Other Elected Officials:

Byron Hobgoo	County Attorney
Mike Lewis	Jailer
Keenan Cloern	County Clerk
Tanya Bowman	Circuit Court Clerk
Matt Sanderson	Sheriff
Pam Love Barber	Property Valuation Administrator
Dennis Mayfield	Coroner

Appointed Personnel:

Tracy Browning	County Treasurer
Madonna Priest	Occupational Tax Administrator

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

For The Year Ended June 30, 2021

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

For The Year Ended June 30, 2021

	<u>Budgeted Funds</u>		
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
RECEIPTS			
Taxes	\$ 11,179,990	\$	\$
Licenses and Permits	87,094		
Intergovernmental	4,636,031	2,144,229	3,411,932
Charges for Services	173		238,562
Miscellaneous	413,114	36,562	245,631
Interest	27,231	1,847	1,301
Total Receipts	<u>16,343,633</u>	<u>2,182,638</u>	<u>3,897,426</u>
DISBURSEMENTS			
General Government	5,532,502		
Protection to Persons and Property	1,176,419		3,879,256
General Health and Sanitation	400		
Social Services			
Recreation and Culture			
Roads		2,117,668	
Debt Service		47,190	58,072
Capital Projects	10,551	951,432	
Administration	2,000,969	536,371	1,122,153
Total Disbursements	<u>8,720,841</u>	<u>3,652,661</u>	<u>5,059,481</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>7,622,792</u>	<u>(1,470,023)</u>	<u>(1,162,055)</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds		1,325,000	1,125,000
Transfers To Other Funds	(3,700,000)		
Total Other Adjustments to Cash (Uses)	<u>(3,700,000)</u>	<u>1,325,000</u>	<u>1,125,000</u>
Net Change in Fund Balance	3,922,792	(145,023)	(37,055)
Fund Balance - Beginning (Restated)	4,563,060	577,144	681,786
Fund Balance - Ending	<u>\$ 8,485,852</u>	<u>\$ 432,121</u>	<u>\$ 644,731</u>
Composition of Fund Balance			
Bank Balance	\$ 8,808,190	\$ 762,903	\$ 701,114
Plus: Deposits In Transit			
Less: Outstanding Checks	(322,338)	(330,782)	(56,383)
Fund Balance - Ending	<u>\$ 8,485,852</u>	<u>\$ 432,121</u>	<u>\$ 644,731</u>

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

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

<u>Budgeted Funds</u>			<u>Unbudgeted Funds</u>		
<u>Local Government Economic Assistance Fund</u>	<u>Local Government Economic Development Fund</u>	<u>Contingency Fund</u>	<u>Public Properties Corporation Fund</u>	<u>Jail Commissary Fund</u>	<u>Total Funds</u>
\$	\$	\$	\$	\$	\$ 11,179,990
4,200					91,294
988,858	4,372,664	4,113	1,503,336		17,061,163
372,299					611,034
113,061				301,384	1,109,752
914	1	10,772	18	1,942	44,026
<u>1,479,332</u>	<u>4,372,665</u>	<u>14,885</u>	<u>1,503,354</u>	<u>303,326</u>	<u>30,097,259</u>
162,749	31,301				5,726,552
200,000					5,255,675
1,577,873					1,578,273
136,185					136,185
335,286				59,494	394,780
					2,117,668
			1,502,836		1,608,098
					961,983
356,198					4,015,691
<u>2,768,291</u>	<u>31,301</u>		<u>1,502,836</u>	<u>59,494</u>	<u>21,794,905</u>
(1,288,959)	4,341,364	14,885	518	243,832	8,302,354
1,250,000					3,700,000
					(3,700,000)
<u>1,250,000</u>					
(38,959)	4,341,364	14,885	518	243,832	8,302,354
671,094		3,123,414	153,811	351,314	10,121,623
<u>\$ 632,135</u>	<u>\$ 4,341,364</u>	<u>\$ 3,138,299</u>	<u>\$ 154,329</u>	<u>\$ 595,146</u>	<u>\$ 18,423,977</u>
\$ 713,955	\$ 4,341,364	\$ 3,138,299	\$ 154,329	\$ 628,687	\$ 19,248,841
				5,853	5,853
(81,820)				(39,394)	(830,717)
<u>\$ 632,135</u>	<u>\$ 4,341,364</u>	<u>\$ 3,138,299</u>	<u>\$ 154,329</u>	<u>\$ 595,146</u>	<u>\$ 18,423,977</u>

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

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**HOPKINS COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2021

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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.

Local Government Economic Development Fund - The original purpose of this fund was to account for LGED grants and related disbursements. However, in the current year the fiscal court decided to use this fund to account for an American Rescue Plan Act grant from the federal government.

Contingency Fund - The primary purpose of this fund is to set aside funds from general operations to act as a savings account for fiscal court and for special projects when they arise.

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 proceeds and debt service of revenue bonds that were issued to fund the public properties corporation.

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

D. Budgetary Information

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

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

E. Hopkins County Elected Officials

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

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

F. Deposits

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

KRS 66.480 authorizes the county to invest in obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

G. Long-term Obligations

The fund financial statement recognizes bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as disbursements. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as disbursements. Debt proceeds are reported as other adjustments to cash.

H. Related Obligations and Joint Ventures

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

Planning and Zoning Commission

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

Note 2. Deposits

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

Custodial Credit Risk - Deposits

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

Note 3. Transfers

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

	General Fund	Total Transfers In
Road Fund	\$ 1,325,000	1,325,000
Jail Fund	1,125,000	1,125,000
LGEA Fund	1,250,000	1,250,000
Total Transfers Out	<u>\$ 3,700,000</u>	<u>\$ 3,700,000</u>

Reason for transfers:

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

Note 4. Custodial Funds

Custodial funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. 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, 2021, was \$21,203.

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

Note 5. Long-term Debt

A. Direct Borrowings and Direct Placements

1. Jail HVAC System

On November 18, 2014, the fiscal court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program as Administrator and PNC Equipment Finance, LLC as lessor in the sum of \$495,000 at a 3.20 percent effective interest rate. The financing obligation was acquisition, installation, and equipping of an HVAC system. The HVAC system is being used as collateral for this agreement. In the event of default, the Kentucky Association of Counties Leasing Trust Program may terminate the lease and take possession of the project within 60 days. The maturity date of the obligation is June 20, 2025. The balance of the financing obligation at June 30, 2021, was \$213,918. Annual debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 51,572	\$ 6,092
2023	52,823	4,424
2024	54,105	2,715
2025	<u>55,418</u>	<u>964</u>
Totals	<u>\$ 213,918</u>	<u>\$ 14,195</u>

2. Road Department Vehicles

During fiscal year 2018, the fiscal court entered into a lease agreement with Enterprise Fleet Management in the sum of \$249,046. The financing obligation was for the acquisition of road department vehicles. The vehicles included in this agreement are the collateral. If the fiscal court fails to meet the terms of the lease, Enterprise Fleet Management would take possession of the vehicles included in this agreement. The term of the lease is for 60 months. The balance of the financing obligation as of June 30, 2021, was \$76,396. Annual debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 41,675	\$ 5,515
2023	<u>34,721</u>	<u>4,596</u>
Totals	<u>\$ 76,396</u>	<u>\$ 10,111</u>

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

Note 5. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

3. Mortgage Revenue Refunding Bonds (Judicial Center Project), Series 2017

On July 27, 2017, the Hopkins County Public Properties Corporation issued \$5,928,288 of mortgage revenue refunding bonds (judicial center project), series 2017, for the purpose of (i) refunding and refinancing the outstanding Hopkins County Public Properties Corporation First Mortgage Revenue Bonds (judicial center project), series, 2010 maturing on and after June 1, 2023 and (ii) paying the costs of issuance on the bonds. In event of default, (i) the lien may be enforced, (ii) the mortgage may be foreclosed, and/or (iii) the project may be operated by the purchaser or placed in receivership and/or sold at foreclosure sale. The bonds will mature on June 1, 2027. The bonds have an interest rate of 2.25% annum and interest is payable each June 1 and December 1. As of June 30, 2021, the bonds outstanding were \$5,863,719. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 65,500	\$ 131,969
2023	69,811	130,495
2024	1,385,387	128,924
2025	1,415,884	97,753
2026	1,448,804	65,896
2027	<u>1,478,333</u>	<u>33,298</u>
Totals	<u>\$ 5,863,719</u>	<u>\$ 588,335</u>

B. Other Debt

1. First Mortgage Revenue Bonds (Judicial Center Project), Series 2010

On June 1, 2010, the Hopkins County Public Properties Corporation issued \$19,410,000 of first mortgage revenue bonds (judicial center project), series 2010, for the purpose of acquiring, constructing, and equipping a new judicial center. On July 27, 2017, mortgage revenue refunding bonds, series 2017 were issued to defease a portion of the bonds. The judicial center is being used as collateral for this project. The bonds will mature on June 1, 2023. Interest is payable each June and December 1. As of June 30, 2021, bonds outstanding were \$2,475,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 1,215,000	\$ 86,625
2023	<u>1,260,000</u>	<u>44,100</u>
Totals	<u>\$ 2,475,000</u>	<u>\$ 130,725</u>

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

Note 5. Long-term Debt (Continued)

C. Changes In Long-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 6,309,093	\$	\$ 155,060	\$ 6,154,033	\$ 158,747
Other Debt	3,655,000		1,180,000	2,475,000	1,215,000
Total Long-term Debt	<u>\$ 9,964,093</u>	<u>\$ 0</u>	<u>\$ 1,335,060</u>	<u>\$ 8,629,033</u>	<u>\$ 1,373,747</u>

D. Aggregate Debt Schedule

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

Fiscal Year Ended June 30	Other Debt		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2022	\$ 1,215,000	\$ 86,625	\$ 158,747	\$ 143,576
2023	1,260,000	44,100	157,355	139,515
2024			1,439,492	131,639
2025			1,471,302	98,717
2026			1,448,804	65,896
2027			1,478,333	33,298
Totals	<u>\$ 2,475,000</u>	<u>\$ 130,725</u>	<u>\$ 6,154,033</u>	<u>\$ 612,641</u>

Note 6. Commitment Debt

A. Ambulance Service Contract

The Medical Center Ambulance Service, Inc. (MCAS) operates under a lease with Hopkins County. The term of the lease is for one year, the lease is automatically renewed on a year-to-year basis unless terminated by one of the parties. Under the terms of the lease for the first year, the county is required to furnish the necessary number of ambulances required for the operation of the ambulance service and is to reimburse MCAS for the support of the county. MCAS has agreed to provide suitable and necessary ambulance service on a 24-hour basis to the residents of Hopkins County and to other persons requiring such service while in Hopkins County. On January 1, 2012, the Hopkins County Fiscal Court entered into a lease and contract with MCAS. The county agreed to furnish to MCAS, or the sum of one dollar per year, the existing inventory of fully serviceable ambulances. The term of the lease is for a period of four years unless sooner cancelled or terminated as provided in the lease.

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

Note 6. Commitment Debt (Continued)

A. Ambulance Service Contract (Continued)

This lease shall be automatically extended for the like periods of one year each, unless either party gives the other party 30 days written notice prior to the expiration of the current term.

MCAS agreed to supply suitable and necessary ambulance service to the residents of Dawson Springs, Kentucky, as its Dawson Springs location and the remainder of Hopkins County, Kentucky through its Madisonville, Kentucky location. The county agreed to provide financial support as budgeted by the Hopkins County Fiscal Court, which budget shall be no less than current amount of \$150,000 annually, which shall be paid to MCAS in cash payments, not less frequently than three payments per year of \$50,000.

B. Hopkins County Regional Landfill

The Hopkins County Regional Landfill entered into an agreement with Hopkins County on October 31, 2011. Under the terms of the agreement, the Hopkins County Regional Landfill is to provide waste management services for the county and citizens of Hopkins County, Kentucky. The Hopkins County Regional Landfill has also agreed to pay licensing fees to the county as mandated in Ordinance 2006-10. As of June 30, 2021, both parties were in compliance with this agreement.

C. South Main Sewer Project – Interlocal Cooperation Agreement

On December 23, 2009, Hopkins County (county) entered in an interlocal cooperation agreement with the City of Madisonville (city) for the construction, maintenance, and operation of the South Main Sewer Project. The city has secured financing for this project from the Kentucky Infrastructure Authority in the form of an American Recovery and Reinvestment Act (ARRA) loan in the amount of \$3,800,000 bearing interest at the rate of 2 percent per annum to be repaid over a term of 20 years. The county has agreed to provide financial assistance to the city to help pay a portion of the debt service incurred by the city. The county has agreed to pay the city the sum of \$110,000 per year for a period of 20 years payable in equal, semi-annual installments of \$55,000 on or before June 1 and December 1 of each year beginning May 15, 2010.

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 CERS nine (9) member board of trustees is responsible for the governance of the CERS pension and insurance plans.

The county's contribution for FY 2019 was \$1,566,542, FY 2020 was \$1,734,809, and FY 2021 was \$1,758,901.

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.

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

Note 7. Employee Retirement System (Continued)

Nonhazardous (Continued)

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

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

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

Hazardous

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

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

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

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

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

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

Note 7. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

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

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

Benefits are covered under KRS 78.5536 with exception of COLA and retiree health benefits after July 2003.

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

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

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

Tier 2 member benefits are covered by KRS 78.5536 with exception of COLA and retiree health benefits after July 2003. Tier 3 members are not covered by the same provisions.

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

Note 7. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

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

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

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

D. Cost of Living Adjustments - Tier 1

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

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

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

F. Death Benefit

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

KRS Annual Financial Report and Proportionate Share Audit Report

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

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

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

Note 8. Deferred Compensation

The Hopkins County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax-sheltered supplemental retirement plans for all state, public school and university employees, and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permit all full-time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority at 501 High Street, 2nd Floor, Frankfort, KY 40601, or by telephone at (502) 573-7925.

Note 9. Health Reimbursement Account/Flexible Spending Account

The Hopkins County Fiscal Court established a flexible spending account to provide employees an additional health benefit. The county has contracted with a third-party administrator to administer the plan. The plan provides a debit card to each eligible employee to pay for qualified medical expenses. Employees may also contribute additional pre-tax funds through payroll deduction. The balance of the plan is \$26,704.

Note 10. Insurance

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

Note 11. Note Receivable

On January 7, 2014, the Hopkins County Fiscal Court loaned \$500,000 to the Hopkins County – Madisonville Public Library for the purpose of making improvements to real estate. Terms of the agreement stipulate a 20-year repayment schedule at 1.175 percent interest. Records indicate the Hopkins County – Madisonville Public Library is in substantial compliance with this agreement. No payment was made in fiscal year 2021, due to the effects the COVID-19 pandemic had on the library. As of June 30, 2021, the principal amount owed by the library was \$350,000.

Note 12. Prior Period Adjustments

	Jail Commissary Fund
Ending Cash Balance Prior Year	\$ 366,601
Adjustments:	
To remove Jail Inmate Funds	(15,287)
Beginning Fund Balance - Restated	<u>\$ 351,314</u>

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

For The Year Ended June 30, 2021

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HOPKINS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2021

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 9,215,850	\$ 9,215,850	\$ 11,179,990	\$ 1,964,140
Licenses and Permits	51,500	51,500	87,094	35,594
Intergovernmental	3,602,130	3,602,130	4,636,031	1,033,901
Charges for Services	200	200	173	(27)
Miscellaneous	161,125	161,125	413,114	251,989
Interest	50,000	50,000	27,231	(22,769)
Total Receipts	<u>13,080,805</u>	<u>13,080,805</u>	<u>16,343,633</u>	<u>3,262,828</u>
DISBURSEMENTS				
General Government	6,095,784	6,191,636	5,532,502	659,134
Protection to Persons and Property	1,581,700	1,582,700	1,176,419	406,281
General Health and Sanitation	400	400	400	
Capital Projects	20,000	20,000	10,551	9,449
Administration	2,848,783	2,751,931	2,000,969	750,962
Total Disbursements	<u>10,546,667</u>	<u>10,546,667</u>	<u>8,720,841</u>	<u>1,825,826</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>2,534,138</u>	<u>2,534,138</u>	<u>7,622,792</u>	<u>5,088,654</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(6,034,138)</u>	<u>(6,034,138)</u>	<u>(3,700,000)</u>	<u>2,334,138</u>
Total Other Adjustments to Cash (Uses)	<u>(6,034,138)</u>	<u>(6,034,138)</u>	<u>(3,700,000)</u>	<u>2,334,138</u>
Net Change in Fund Balance	(3,500,000)	(3,500,000)	3,922,792	7,422,792
Fund Balance - Beginning	<u>3,500,000</u>	<u>3,500,000</u>	<u>4,563,060</u>	<u>1,063,060</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 8,485,852</u>	<u>\$ 8,485,852</u>

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

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 3,007,763	\$ 3,007,763	\$ 2,144,229	\$ (863,534)
Miscellaneous	1,000	1,000	36,562	35,562
Interest	12,000	12,000	1,847	(10,153)
Total Receipts	<u>3,020,763</u>	<u>3,020,763</u>	<u>2,182,638</u>	<u>(838,125)</u>
DISBURSEMENTS				
Roads	2,828,523	2,828,920	2,117,668	711,252
Debt Service	47,500	47,500	47,190	310
Capital Projects	1,707,000	1,707,000	951,432	755,568
Administration	890,658	890,261	536,371	353,890
Total Disbursements	<u>5,473,681</u>	<u>5,473,681</u>	<u>3,652,661</u>	<u>1,821,020</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,452,918)</u>	<u>(2,452,918)</u>	<u>(1,470,023)</u>	<u>982,895</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>2,052,918</u>	<u>2,052,918</u>	<u>1,325,000</u>	<u>(727,918)</u>
Total Other Adjustments to Cash (Uses)	<u>2,052,918</u>	<u>2,052,918</u>	<u>1,325,000</u>	<u>(727,918)</u>
Net Change in Fund Balance	(400,000)	(400,000)	(145,023)	254,977
Fund Balance - Beginning	<u>400,000</u>	<u>400,000</u>	<u>577,144</u>	<u>177,144</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 432,121</u>	<u>\$ 432,121</u>

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

	JAIL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 3,201,300	\$ 3,201,300	\$ 3,411,932	\$ 210,632
Charges for Services	187,100	187,100	238,562	51,462
Miscellaneous	135,800	135,800	245,631	109,831
Interest	6,000	6,000	1,301	(4,699)
Total Receipts	<u>3,530,200</u>	<u>3,530,200</u>	<u>3,897,426</u>	<u>367,226</u>
DISBURSEMENTS				
Protection to Persons and Property	4,496,084	4,496,084	3,879,256	616,828
Debt Service	58,300	63,020	58,072	4,948
Administration	1,294,900	1,290,180	1,122,153	168,027
Total Disbursements	<u>5,849,284</u>	<u>5,849,284</u>	<u>5,059,481</u>	<u>789,803</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,319,084)</u>	<u>(2,319,084)</u>	<u>(1,162,055)</u>	<u>1,157,029</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,719,084	1,719,084	1,125,000	(594,084)
Total Other Adjustments to Cash (Uses)	<u>1,719,084</u>	<u>1,719,084</u>	<u>1,125,000</u>	<u>(594,084)</u>
Net Change in Fund Balance	(600,000)	(600,000)	(37,055)	562,945
Fund Balance - Beginning	<u>600,000</u>	<u>600,000</u>	<u>681,786</u>	<u>81,786</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 644,731</u>	<u>\$ 644,731</u>

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

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Licenses and Permits	\$ 5,000	\$ 5,000	\$ 4,200	\$ (800)
Intergovernmental	1,915,000	1,915,000	988,858	(926,142)
Charges for Services	358,000	358,000	372,299	14,299
Miscellaneous	49,200	49,200	113,061	63,861
Interest	12,000	12,000	914	(11,086)
Total Receipts	<u>2,339,200</u>	<u>2,339,200</u>	<u>1,479,332</u>	<u>(859,868)</u>
DISBURSEMENTS				
General Government	1,339,005	1,339,005	162,749	1,176,256
Protection to Persons and Property	200,000	200,000	200,000	
General Health and Sanitation	1,781,987	1,873,469	1,577,873	295,596
Social Services	142,844	145,594	136,185	9,409
Recreation and Culture	874,300	874,300	335,286	539,014
Capital Projects	300,000	300,000		300,000
Administration	563,200	468,968	356,198	112,770
Total Disbursements	<u>5,201,336</u>	<u>5,201,336</u>	<u>2,768,291</u>	<u>2,433,045</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,862,136)</u>	<u>(2,862,136)</u>	<u>(1,288,959)</u>	<u>1,573,177</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>2,262,136</u>	<u>2,262,136</u>	<u>1,250,000</u>	<u>(1,012,136)</u>
Total Other Adjustments to Cash (Uses)	<u>2,262,136</u>	<u>2,262,136</u>	<u>1,250,000</u>	<u>(1,012,136)</u>
Net Change in Fund Balance	(600,000)	(600,000)	(38,959)	561,041
Fund Balance - Beginning	<u>600,000</u>	<u>600,000</u>	<u>671,094</u>	<u>71,094</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 632,135</u>	<u>\$ 632,135</u>

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

LOCAL GOVERNMENT ECONOMIC DEVELOPMENT FUND

	<u>Budgeted Amounts</u>		<u>Actual Amounts, (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Intergovernmental	\$ 1,000,000	\$ 1,000,000	\$ 4,372,664	\$ 3,372,664
Interest			1	1
Total Receipts	<u>1,000,000</u>	<u>1,000,000</u>	<u>4,372,665</u>	<u>3,372,665</u>
DISBURSEMENTS				
General Government	1,000,000	1,000,000	31,301	968,699
Total Disbursements	<u>1,000,000</u>	<u>1,000,000</u>	<u>31,301</u>	<u>968,699</u>
Net Change in Fund Balance			4,341,364	4,341,364
Fund Balance - Beginning				
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,341,364</u>	<u>\$ 4,341,364</u>

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

	CONTINGENCY FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 29,200	\$ 29,200	\$ 4,113	\$ (25,087)
Interest	40,000	40,000	10,772	(29,228)
Total Receipts	<u>69,200</u>	<u>69,200</u>	<u>14,885</u>	<u>(54,315)</u>
DISBURSEMENTS				
Administration	3,194,200	3,194,200		3,194,200
Total Disbursements	<u>3,194,200</u>	<u>3,194,200</u>		<u>3,194,200</u>
Net Change in Fund Balance	(3,125,000)	(3,125,000)	14,885	3,139,885
Fund Balance - Beginning	<u>3,125,000</u>	<u>3,125,000</u>	<u>3,123,414</u>	<u>(1,586)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,138,299</u>	<u>\$ 3,138,299</u>

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

June 30, 2021

Note 1. Budgetary Information

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

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

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

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**HOPKINS COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For The Year Ended June 30, 2021

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HOPKINS COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity's Identifying Number	Provided to Subrecipient	Total Federal Expenditures
<u>U. S. Department of Homeland Security</u>				
<i>Passes-Through Kentucky Department for Local Government</i>				
Emergency Management Performance	97.042	2100000605	\$	\$ 26,022
Total U.S. Department of Homeland Security			\$ 0	\$ 26,022
<u>U. S. Department of Treasury</u>				
<i>Passed-Through Kentucky Department for Local Government</i>				
COVID-19 Coronavirus Relief Fund	21.019	2100000286 & 2100001464	\$	\$ 1,060,493
Total U.S. Department of Treasury			\$ 0	\$ 1,060,493
Total Expenditures of Federal Awards			\$ 0	\$ 1,086,515

The accompanying notes are an integral part of this schedule.

HOPKINS COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2021

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Hopkins County, Kentucky under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Hopkins County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Hopkins County, Kentucky.

Note 2. Summary of Significant Accounting Policies

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

Note 3. Indirect Cost Rate

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

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

For The Year Ended June 30, 2021

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HOPKINS COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2021

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance (Restated)	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 1,999,182	\$	\$	\$ 1,999,182
Construction In Progress	1,479,041			1,479,041
Buildings and Building Improvements	37,809,555			37,809,555
Machinery and Equipment	5,729,289	476,236	72,900	6,132,625
Vehicles	3,329,676	218,866	202,742	3,345,800
Jail Commissary	476,746			476,746
Infrastructure	15,659,493	898,723		16,558,216
 Total Capital Assets	 <u>\$ 66,482,982</u>	 <u>\$ 1,593,825</u>	 <u>\$ 275,642</u>	 <u>\$ 67,801,165</u>

Note: Beginning balance is restated from PYA due to finding in prior year.

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

June 30, 2021

Note 1. Capital Assets

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

	<u>Capitalization Threshold</u>	<u>Useful Life (Years)</u>
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Furniture and Fixtures	\$ 20,000	5-25
Machinery and Equipment	\$ 20,000	5-25
Vehicles	\$ 20,000	3
Infrastructure	\$ 20,000	10-50

Note 2. Beginning Balance Restated

	<u>Balance Per Prior Year Report</u>	<u>Variances</u>	<u>Beginning Balance (Restated)</u>
Land and Land Improvements	1,999,182		1,999,182
Construction in Progress	1,479,041		1,479,041
Buildings and Building Improvements	37,809,555		37,809,555
Machinery and Equipment	6,469,407	(740,118)	5,729,289
Vehicles	3,617,031	(287,355)	3,329,676
Jail Commissary	463,951	12,795	476,746
Infrastructure	16,015,113	(355,620)	15,659,493
TOTAL	<u>67,853,280</u>	<u>(1,370,298)</u>	<u>66,482,982</u>

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Jack Whitfield, Jr., Hopkins County Judge/Executive
Members of the Hopkins 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 Hopkins County Fiscal Court for the fiscal year ended June 30, 2021, and the related notes to the financial statement which collectively comprise the Hopkins County Fiscal Court's financial statement and have issued our report thereon dated June 2, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Hopkins County Fiscal Court's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Hopkins County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hopkins County Fiscal Court's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses 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 Questioned Costs as items 2021-001, 2021-002, 2021-003, and 2021-004 to be material weaknesses.



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

Internal Control Over Financial Reporting (Continued)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2021-005 to be a significant deficiency.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Hopkins County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2021-001, 2021-003, and 2021-004.

Views of Responsible Official and Planned Corrective Action

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

Purpose of this Report

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

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

June 2, 2022

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Jack Whitfield, Jr., Hopkins County Judge/Executive
Members of the Hopkins County Fiscal Court

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

Independent Auditor's Report

Report on Compliance for Each Major Federal Program

We have audited the Hopkins County Fiscal Court's compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Hopkins County Fiscal Court's major federal programs for the year ended June 30, 2021. The Hopkins County Fiscal Court's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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



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

Opinion on Each Major Federal Program

In our opinion, the Hopkins County Fiscal Court complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

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

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

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

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

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

June 2, 2022

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

For The Year Ended June 30, 2021

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

For The Year Ended June 30, 2021

Section I: Summary of Auditor's Results

Financial Statement

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

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
21.019	COVID-19 Coronavirus Relief Fund

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

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

Section II: Financial Statement Findings

2021-001 The Schedule Of Expenditures of Federal Awards Was Overstated

The Hopkins County Fiscal Court's original schedule of expenditures of federal awards was overstated by \$470,784. The total overstatement is made up of the following errors made on the following programs:

- Assistance Listing Number 21.019 - \$431,746 was included on the schedule of expenditures of federal awards that was expensed in fiscal year 2020. These expenses were not reported on the prior year schedule of expenditures of federal awards .
- Assistance Listing Number 97.042 - \$7,738 was removed from the schedule of expenditures of federal awards to agree the expenditures for this program to underlying records.
- Assistance Listing Number 14.228 - \$31,300 was removed from the schedule of expenditures of federal awards because there have been no expenditures for this program as of fiscal year ending June 30, 2021.

According to county personnel, all monies awarded by the coronavirus relief fund were received in fiscal year 2021 and were mistakenly documented as fiscal year 2021 federal expenditures. In addition, the schedule of expenditures of federal awards documented awarded amounts instead of federal expenditures for the Emergency Management Performance Grant and Community Development Block Grant. As a result of the errors made and lack of effective operating controls, the original schedule of expenditures of federal awards was misstated. In addition, by including some of the expenditures on the current year schedule of expenditures of federal awards, a single audit was missed in the prior year.

Strong internal controls over financial reporting are vital in ensuring that federal awards expended are accounted for and reported properly. Strong internal controls are also important in safeguarding the county's assets and those given the responsibility of accounting for them, as well as helping make certain the county is in compliance with all requirements and guidance. The purpose of the schedule of expenditures of federal awards is to trace and document the amount of federal awards spent each fiscal year and to ensure a single audit is performed if total federal expenditures exceed \$750,000. Additionally, 2 CFR 200.510(b) states, "[t]he auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended."

We recommend the Hopkins County Fiscal Court implement or strengthen controls over federal award expenditures reporting to ensure amounts reported represent federal expenditures during the year.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The CARES money was received in one FY and expended in previous FY. It was reported on the year received not expended.

2021-002 Material Weaknesses Exist Over The Reporting Of Liabilities And Debt

This is a repeat finding and was included in the prior year audit report as finding 2020-004. Material weaknesses existed over the reporting of liabilities and debt of Hopkins County. The June 30, 2021 outstanding debt balances reported on the fourth quarter financial report were misstated when compared to the actual debt balances confirmed with lenders. In total, \$7,533,674 of outstanding debt was not properly reported on the county's fourth quarter financial report.

Due to a lack of oversight and understanding of the public properties corporation schedule, the amount of outstanding debt balances reported on the fourth quarter financial report was materially misstated.

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

Section II: Financial Statement Findings (Continued)

2021-002 Material Weaknesses Exist Over The Reporting Of Liabilities And Debt (Continued)

Strong internal controls over outstanding debt and liabilities are necessary to ensure accurate financial reporting.

We recommend the Hopkins County Fiscal Court strengthen internal controls over the reporting of outstanding debt balances. Internal controls, such as comparisons of payment amounts and outstanding balances to amortization and payment schedules, should be implemented. We also recommend the county consult with lenders to verify outstanding debt balances are in agreement with the county's schedule of leases and liabilities to ensure that the proper amounts are reported.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Treasurer now has documents from the Banks that have the bonds for the AOC. Reporting in the future should be correct. It has always been difficult to get assistance on this debt.

2021-003 The Fourth Quarter Financial Statement Did Not Include All Approved Budget Amendments

The Hopkins County Fiscal Court's fourth quarter financial statement as of June 30, 2021, did not include all budget amendments approved by the fiscal court. While performing audit procedures it was noted that the LGEDF Fund's \$4,339,866 amendment to include COVID Relief funds received had not been included on the fourth quarter report.

The budget amendment prepared and approved in late May 2021, was overlooked when preparing the quarterly report. Due to this oversight, the fourth quarter financial statement did not include all approved budget amendments for the 2021 fiscal year.

Strong internal controls dictate that all approved budget amendments should be reported on the fourth quarter financial statement. Also, per the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual*, "all reports should be tested for accuracy before electronic submission to the State Local Finance Officer."

We recommend the fiscal court strengthen internal controls over financial reporting to ensure that all approved budget amendments are accurately reported on the fourth quarter financial statement.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Treasurer will be including the budget amendments in the financial statement in the future. It was a clerical error that the treasurer didn't report them in this one.

2021-004 The Hopkins County Fiscal Court Did Not Maintain Proper Accounting Records For The Public Properties Corporation

The Hopkins County Fiscal Court has a public properties corporation (PPC) to manage debt associated with the judicial center. The county is financially and legally obligated for the debt of the PPC; however, the fiscal court did not maintain receipts or disbursements ledgers or a financial statement.

According to the county, they were unaware of this requirement which caused the county to be noncompliant with KRS 68.210.

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

Section II: Financial Statement Findings (Continued)

2021-004 The Hopkins County Fiscal Court Did Not Maintain Proper Accounting Records For The Public Properties Corporation (Continued)

The Hopkins County Fiscal Court is legally obligated and financially accountable for the debt of the public properties corporation; therefore, these funds should be handled in accordance with the requirements for county funds. KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The uniform system of accounts, which is set forth in the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual*, includes but is not limited to, maintaining receipts and disbursement journals, performing monthly bank reconciliations, and preparing annual financial statements. In addition to the requirements of KRS 68.210, good internal controls should dictate that financial obligations of the county should be accounted for and reviewed on a regular basis. This would include the receipts and disbursements ledgers, monthly bank reconciliations, and the year-end financial statement.

We recommend the county provide proper oversight with regards to the accounting and the reporting for the Hopkins County Public Properties Corporation.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The Treasurer was unaware that this report had to be completed. The Treasurer will prepare this report in the future.

2021-005 Occupational Tax Receipts Were Not Processed Or Deposited Timely

Occupational tax receipts were not always processed and deposited timely. There appeared to be delays of up to four or five weeks between the dates occupational taxes were received and when they were processed and deposited.

According to county personnel, there was turnover in the position of the occupational tax administrator. The incoming tax administrator didn't fully understand the accounting software, more specifically the dates that were entered into the program for processing occupational tax receipts. Also, given the magnitude of the occupational tax receipts of Hopkins County, the tax administrator has trouble keeping up with the number of individual receipts. Because of the reasons stated above, occupational tax receipts were not always processed and deposited in a timely manner, leaving receipts vulnerable to misappropriation or loss.

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 deposits to be made intact daily into a federally insured banking institution.

We recommend the county treasurer and occupational tax administrator work together to develop a new system of handling occupational tax receipts that will help ensure such receipts are deposited in a timely manner.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: HCFC will make deposits in a timely manner.

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

Section III: Federal Award Findings And Questioned Costs

None.

Section IV: Summary Schedule of Prior Audit Findings

None.

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

HOPKINS COUNTY FISCAL COURT

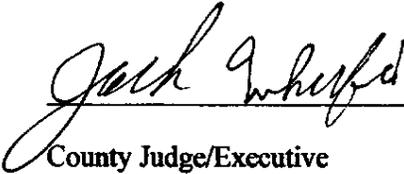
For The Year Ended June 30, 2021

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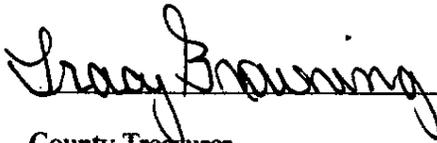
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
COUNTY FISCAL COURT

For The Year Ended June 30, 2021

The Hopkins 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