

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

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

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To the People of Kentucky
The Honorable Andy Beshear
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Kevin Neal, Marshall County Judge/Executive
Members of the Marshall 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 Marshall County Fiscal Court, for the year ended June 30, 2020, and the related notes to the financial statement which collectively comprise the Marshall 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 Kevin Neal, Marshall County Judge/Executive
Members of the Marshall 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 Marshall 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 Marshall 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 Marshall County Fiscal Court as of June 30, 2020, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

Other Matters

Supplementary and Other Information

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

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

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

Other Matters (Continued)

Supplementary and Other Information (Continued)

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

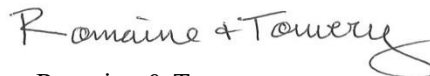
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2021, on our consideration of the Marshall 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 Marshall 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:

- 2020-001 The Marshall County Fiscal Court's Schedule Of Expenditures Of Federal Awards Was Materially Misstated
- 2020-002 The Fiscal Court Failed To Implement Adequate Internal Controls Over Period Of Performance
- 2020-003 The Marshall County Fiscal Court Lacks Internal Controls Over Bank Accounts And Reconciliations
- 2020-004 The Marshall County Fiscal Court Has Deficiencies With Their Reporting Of Encumbrances
- 2020-005 The Marshall County Detention Center Has A Lack Of Segregation Of Duties Over Jail Commissary Operations
- 2020-006 The Marshall County Fiscal Court Did Not Properly Budget For And Record All Debt Related Disbursements
- 2020-007 The Marshall County Fiscal Court Has Material Weaknesses And Noncompliance Regarding Payroll And Timekeeping In Processing The Marshall County Detention Center (Jail)
- 2020-008 The Marshall County Jailer Did Not Comply With KRS 441.225
- 2020-009 The Marshall County Detention Center (Jail) Did Not Properly Compensate Employees For Overtime.

Respectfully submitted,



Romaine & Towery

December 2, 2021

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

Kevin Neal	County Judge/Executive
Monti Collins	Commissioner
Jeremy Lamb	Commissioner
Kevin Spraggs	Commissioner

Other Elected Officials:

Jason Darnall	County Attorney
Roger Ford	Jailer
Tim York	County Clerk
Tiffany Griffith	Circuit Court Clerk
Eddie McGuire	Sheriff
Tony Henson	Property Valuation Administrator
Michael Gordon	Coroner

Appointed Personnel:

Erica West	County Treasurer
Desiree Hermosillo	Finance Officer
Wendy Greer	Road Department Manager
Chris Freeman	911 Administrator
Laurie Ford	Jail Administrative Assistant
Brad Warning	Deputy Judge/Executive

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

For The Year Ended June 30, 2020

MARSHALL 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	\$ 2,853,432	\$	\$
In Lieu Tax Payments	889,074		
Excess Fees	283,478		
Licenses and Permits	97,069		
Intergovernmental	2,529,006	2,508,626	2,248,458
Charges for Services		2,983	11,025
Miscellaneous	1,343,964	16,543	94,545
Interest	70,308	13,968	4,925
Total Receipts	8,066,331	2,542,120	2,358,953
DISBURSEMENTS			
General Government	10,370,695		
Protection to Persons and Property	551,848		1,738,514
General Health and Sanitation	315,227		
Social Services	124,352		
Recreation and Culture	857,546		
Roads		3,976,169	
Debt Service	2,636,635		
Capital Projects	328,906		
Administration	1,290,455	524,117	742,269
Total Disbursements	16,475,664	4,500,286	2,480,783
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(8,409,333)</u>	<u>(1,958,166)</u>	<u>(121,830)</u>
Other Adjustments to Cash (Uses)			
Change in Payroll Revolving Account	(27,451)		
Bond Proceeds	7,300,000		
Reoffering Premium	32,104		
Financing Obligation Proceeds	2,745,363		
Transfers From Other Funds	5,472,137	1,727,050	203,955
Transfers To Other Funds	(1,167,927)		
Total Other Adjustments to Cash (Uses)	14,354,226	1,727,050	203,955
Net Change in Fund Balance	5,944,893	(231,116)	82,125
Fund Balance - Beginning (Restated)	3,017,844	890,102	228,150
Fund Balance - Ending	<u>\$ 8,962,737</u>	<u>\$ 658,986</u>	<u>\$ 310,275</u>
Composition of Fund Balance			
Bank Balance	\$ 2,169,453	\$ 670,269	\$ 330,877
Plus: Deposits In Transit			
Less: Outstanding Checks	(827,040)	(11,283)	(20,602)
Certificates of Deposit	7,538,988		
Payroll Revolving Account	81,336		
Fund Balance - Ending	<u>\$ 8,962,737</u>	<u>\$ 658,986</u>	<u>\$ 310,275</u>

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

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

Budgeted Funds					
Federal Grant Fund	Emergency 911 Fund	Occupational Tax Administrator Fund	Animal Shelter Fund	Alcohol Beverage Control Fund	Building Inspection Fund
\$	\$ 151,625	\$ 5,807,995	\$	\$ 256,712	\$
433,747	201,988			62,979	277,173
1,668			39,158		241
2,458	2,090	66,256		2,078	1,053
<u>437,873</u>	<u>355,703</u>	<u>5,874,251</u>	<u>39,158</u>	<u>321,769</u>	<u>278,467</u>
346,549	833,971	14,305	3,438	11,154 285,453	254,938
	236,863	591		4,373	12,100
<u>346,549</u>	<u>1,070,834</u>	<u>14,896</u>	<u>3,438</u>	<u>300,980</u>	<u>267,038</u>
91,324	(715,131)	5,859,355	35,720	20,789	11,429
(283,685)	712,950	721,071			
<u>(283,685)</u>	<u>712,950</u>	<u>(7,426,951)</u>			
(192,361)	(2,181)	(846,525)	35,720	20,789	11,429
192,641	29,879	3,133,054		118,146	41,144
<u>\$ 280</u>	<u>\$ 27,698</u>	<u>\$ 2,286,529</u>	<u>\$ 35,720</u>	<u>\$ 138,935</u>	<u>\$ 52,573</u>
\$ 280	\$ 33,790	\$ 1,365,494 721,081	\$ 35,720	\$ 141,595	\$ 109,259
	(6,092)	(7,222) 207,176		(2,660)	(56,686)
<u>\$ 280</u>	<u>\$ 27,698</u>	<u>\$ 2,286,529</u>	<u>\$ 35,720</u>	<u>\$ 138,935</u>	<u>\$ 52,573</u>

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

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

	<u>Unbudgeted Funds</u>			<u>Total Funds</u>
	<u>Debt Service Fund</u>	<u>Public Properties Corporation Justice Center Capital Projects Fund</u>	<u>Jail Commissary Fund</u>	
RECEIPTS				
Taxes	\$	\$	\$	\$ 9,069,764
In Lieu Tax Payments				889,074
Excess Fees				283,478
Licenses and Permits				437,221
Intergovernmental	497,500			8,419,325
Charges for Services				14,008
Miscellaneous			50,765	1,546,884
Interest	123		247	163,506
Total Receipts	<u>497,623</u>		<u>51,012</u>	<u>20,823,260</u>
DISBURSEMENTS				
General Government				10,396,154
Protection to Persons and Property				3,668,162
General Health and Sanitation				661,776
Social Services				124,352
Recreation and Culture			43,540	901,086
Roads				3,976,169
Debt Service	537,875			3,174,510
Capital Projects				328,906
Administration				2,810,768
Total Disbursements	<u>537,875</u>		<u>43,540</u>	<u>26,041,883</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(40,252)</u>		<u>7,472</u>	<u>(5,218,623)</u>
Other Adjustments to Cash (Uses)				
Change in Payroll Revolving Account				(27,451)
Bond Proceeds				7,300,000
Reoffering Premium				32,104
Financing Obligation Proceeds				2,745,363
Transfers From Other Funds	41,400			8,878,563
Transfers To Other Funds				(8,878,563)
Total Other Adjustments to Cash (Uses)	<u>41,400</u>			<u>10,050,016</u>
Net Change in Fund Balance	1,148		7,472	4,831,393
Fund Balance - Beginning (Restated)	1,137	8	199,658	7,851,763
Fund Balance - Ending	<u>\$ 2,285</u>	<u>\$ 8</u>	<u>\$ 207,130</u>	<u>\$ 12,683,156</u>
Composition of Fund Balance				
Bank Balance	\$ 2,285	\$ 8	\$ 207,503	\$ 5,066,533
Plus: Deposits In Transit				721,081
Less: Outstanding Checks			(373)	(931,958)
Certificates of Deposit				7,746,164
Payroll Revolving Account				81,336
Fund Balance - Ending	<u>\$ 2,285</u>	<u>\$ 8</u>	<u>\$ 207,130</u>	<u>\$ 12,683,156</u>

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

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**MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2020

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Marshall County includes all budgeted and unbudgeted funds under the control of the Marshall County Fiscal Court. Budgeted funds included within the reporting entity are those funds presented in the county's approved annual budget and reported on the quarterly reports submitted to the Department for Local Government. Unbudgeted funds may include non-fiduciary financial activities, private purpose trust funds, and internal service funds that are within the county's control. Unbudgeted funds may also include any corporation to act as the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

The following entities: The Marshall County Refuse Disposal District and The Marshall County Sanitation District would have been included in the reporting entity under accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. However, under the regulatory basis, they are no longer required components of the reporting entity. Audits of the following entities can be obtained from the Marshall County Fiscal Court: 1101 Main Street Benton, Kentucky 42025.

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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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

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

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

Emergency 911 Fund - The primary purpose of this fund is to account for federal grants and related disbursements. The primary sources of receipts for this fund are grants from the state and federal governments.

Occupational Tax Administrator Fund - The primary purpose of this fund is to account for occupational tax receipts. Occupational tax receipts are recorded in this fund and then transferred to other operating funds as needed.

Animal Shelter Fund - The primary purpose of this fund is to account for animal shelter receipts. Animal shelter receipts are recorded in this fund and then expended for the operation of the animal shelter.

Alcohol Beverage Control Fund - The fund is used to account for receipts and disbursements associated with liquor licensing. The primary source of receipts for this fund is taxes and licenses.

Building Inspection Fund - The fund is used to account for receipts and disbursements associated with building inspection licenses. The primary source of receipts for this fund is fees collected for building inspection licenses.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Debt Service Fund - The purpose of this fund is to account for the debt service requirements of the general obligation bonds of the Marshall County Fiscal Court.

Public Properties Corporation Justice Center Capital Projects Fund - The purpose of this fund is to account for the bond redemption fund of the Public Properties Corporation.

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Unbudgeted Funds (Continued)

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 Justice Center Debt Service Fund or the Public Properties Corporation Justice Center Capital Projects Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

E. Marshall County Elected Officials

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments

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

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

G. Long-term Obligations

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

Note 2. Deposits

The fiscal court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC 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 not met, as the fiscal court did not have a written agreement with the bank.

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 fiscal court does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of June 30, 2020, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

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

Note 3. Transfers

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

	General Fund	Federal Grant Fund	Occupational Tax Administrator Fund	Total Transfers In
General Fund	\$	\$ 283,685	\$ 5,188,452	\$ 5,472,137
Road Fund	405,456		1,321,594	1,727,050
Jail Fund			203,955	203,955
Emergency 911 Fund			712,950	712,950
Occupational Tax Fund	721,071			721,071
Public Properties Corporation Justice Center Debt Service Fund	41,400			41,400
Total Transfers Out	<u>\$ 1,167,927</u>	<u>\$ 283,685</u>	<u>\$ 7,426,951</u>	<u>\$ 8,878,563</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

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

The fiscal court has the following custodial fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2020, was \$15,570.

Note 5. Health Reimbursement Account/Flexible Spending Account

The Marshall County Fiscal Court, in Fiscal Court Order One, established a health reimbursement account on October 11, 2011 to provide employees an additional health benefit. The county has contracted with Febco Inc., a third-party administrator, to administer the plan. The plan provides a debit card to each eligible employee providing funds, determined by health insurance coverage, each year to pay for qualified medical expenses. Employees may also contribute additional pre-tax funds through payroll deductions. The account balance as of June 30, 2020 was \$9,716.

Note 6. Receivable

On November 30, 2012, Marshall County entered into an agreement with Kentucky Association of Counties Financing Corporation for the purpose of the construction of the arts commission building. The principal amount was \$320,000 at an effective interest rate of 3.656% for thirty years. A verbal agreement between the Marshall County Arts Commission and Marshall County Fiscal Court exists stating that debt is paid by the county and the arts commission in turn reimburses the county yearly. Ownership will go to the Marshall County Arts Commission at the end of the debt service term. As of June 30, 2020 the arts commission is in compliance with the verbal agreement with the county.

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

Note 7. Long-term Debt

A. Direct Borrowings & Direct Placements

1. Financing Obligation – Arts Commission Building

On November 30, 2012, Marshall County entered into an agreement with the Kentucky Association of Counties Finance Corporation for the purpose of the construction of the arts commission building. The terms of this agreement consist of monthly principal and interest payments for a term of thirty years at an interest rate of 3.656%. A verbal agreement exists between the Marshall County Arts Commission and Marshall County Fiscal Court (See Note 6) agreeing that the county is reimbursed yearly for the debt payments made and at maturity date the building will belong to the Marshall County Arts Commission.

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

The principal balance of June 30, 2020 was \$260,000. Future principal and interest payments are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 10,000	\$ 9,070
2022	10,000	8,840
2023	10,000	8,595
2024	10,000	8,330
2025	10,000	8,055
2026-2030	50,000	35,724
2031-2035	50,000	27,562
2036-2040	72,500	17,463
2041-2043	37,500	3,657
	<hr/>	<hr/>
Totals	<u>\$ 260,000</u>	<u>\$ 127,296</u>

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

Note 7. Long-term Debt (Continued)

A. Direct Borrowings & Direct Placements (Continued)

2. Financing Obligation – Kentucky Infrastructure Authority Loan

On October 1, 2018, Marshall County Fiscal Court entered into an assistance agreement on a Line of Credit with the Kentucky Infrastructure Authority (KIA) for the purpose of the expansion of the Draffenville sewer system. The Line of Credit for the project as of April 2, 2020 was \$2,343,825. The Marshall County Fiscal Court entered into a note with KIA in an amount of \$2,745,363, of which the Line of Credit was retired and the project completed. Principal payments are due December 1, beginning in 2020, and interest, which is variable at 1% to 2.5%, is payable semiannually on March 1 and September 1, beginning September 1, 2012. The maturity date of the issue is March 1, 2022.

The principal balance of June 30, 2020, was \$2,745,363. Future principal and interest payments are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 115,742	\$ 47,665
2022	117,777	45,505
2023	119,847	43,435
2024	121,953	41,329
2025	124,097	39,185
2026-2030	653,979	162,431
2031-2035	713,509	102,901
2036-2040	778,458	37,953
Totals	<u>\$ 2,745,363</u>	<u>\$ 520,404</u>

B. Other Debt

1. General Obligation Refunding Bonds, Series 2012

On April 3, 2012 the Marshall County Fiscal Court issued General Obligation Refunding Bonds, Series 2012, in the amount of \$4,815,000 for the purpose of paying the cost of constructing a new county justice center facility and the cost of the issuance of the bonds. Principal payments are due March 1, beginning in 2013, and interest, which is variable at 1% to 2.5%, is payable semiannually on March 1 and September 1, beginning September 1, 2012. The maturity date of the issue is March 1, 2022. The outstanding balance as of June 30, 2020, was \$1,040,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	515,000	26,000
2022	525,000	13,125
Totals	<u>\$ 1,040,000</u>	<u>\$ 39,125</u>

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

Note 7. Long-term Debt (Continued)

B. Other Debt (Continued)

1. General Obligation Refunding Bonds, Series 2012 (Continued)

The Corporation entered into a lease agreement with the Administrative Office of the Courts (AOC), which states that the AOC agrees to pay a portion of the debt service requirements with the remaining portion to be paid by the Corporation. The bonds are secured by a foreclosure first mortgage lien on the property and an assignment by the corporation of its rights, title, and interest in the lease with AOC.

2. General Obligation Bonds, Series 2019

On December 11, 2019 the Marshall County Fiscal Court issued General Obligation Bonds, Series 2019, in the amount of \$7,300,000 for the purpose of (i) improvements to sewer and water lines (ii) improvements to industrial park infrastructure, including, but not limited to roads, turn lanes and utilities; (iii) improvements to emergency services; (iv) payment of capitalized interest and accrued interest, if any; (the "Projects") and (v) payment of costs of issuance of the Bonds.

Principal payments are due December 1, beginning in 2020, and interest, which is variable at 2% to 2.65%, is payable semiannually on June 1 and December 1, beginning December 1, 2020. The maturity date of the issue is June 30, 2040. The outstanding balance as of June 30, 2020, was \$7,300,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 275,000	\$ 161,690
2022	280,000	156,140
2023	310,000	150,240
2024	315,000	143,990
2025	325,000	137,590
2026-2030	1,720,000	586,667
2031-2035	1,915,000	389,774
2036-2040	2,160,000	142,939
Totals	<u>\$ 7,300,000</u>	<u>\$ 1,869,030</u>

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

Note 7. 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	\$ 2,612,993	\$ 2,745,363	\$ 2,352,993	\$ 3,005,363	\$ 125,742
General Obligation Refunding Bonds	1,540,000	7,300,000	500,000	8,340,000	790,000
Total Long-term Debt	<u>\$ 4,152,993</u>	<u>\$10,045,363</u>	<u>\$ 2,852,993</u>	<u>\$11,345,363</u>	<u>\$ 915,742</u>

D. Aggregate Debt Schedule

The amounts of required principal and interest payments on long-term obligations for the year ended June 30, 2020, was as follows:

Year Ending June 30,	Other Debt		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2021	790,000	187,690	125,742	56,735
2022	805,000	169,265	127,777	54,345
2023	310,000	150,240	129,847	52,030
2024	315,000	143,990	131,953	49,659
2025	325,000	137,590	134,097	47,240
2026-2030	1,720,000	586,667	703,979	198,155
2031-2035	1,915,000	389,774	763,509	130,463
2036-2040	2,160,000	142,939	850,959	55,416
2041-2043			37,500	3,657
	<u>\$ 8,340,000</u>	<u>\$ 1,908,155</u>	<u>\$ 3,005,363</u>	<u>\$ 647,700</u>

Note 8. Employee Retirement System

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

The county's contribution for FY 2018 was \$1,458,435, FY 2019 was \$1,674,148, and FY 2020 was \$1,920,875.

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.

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

Note 8. 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.

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

Note 8. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

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

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

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

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

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

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

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

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

Note 8. 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, KRS will pay a \$5,000 death benefit payment to the beneficiary designated by the member specifically for this benefit. Members with multiple accounts are entitled to only one death benefit.

KRS Annual Financial Report and Proportionate Share Audit Report

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

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

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

Note 9. Deferred Compensation

The Marshall 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 10. Insurance

For the fiscal year ended June 30, 2020, the Marshall 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. Landfill Closure and Post-Closure Costs

In 2002, the legislature passed House Bill No. 174 that among other things, provided for state assumption of responsibility for the costs of closure and remedial obligations for inactive solid waste landfills that ceased accepting waste prior to July 1, 1992. This is implemented as amendments to KRS 244, Subchapter 43. The Kentucky Division of Waste Management has determined that the Marshall County Landfill qualifies under this program for state assistance. However, as a necessary condition for performing this work, the Kentucky Division of Waste Management required a legal right of entry granting permission for assessment and construction activities on the subject property. On February 8, 2005, the Marshall County Judge/Executive signed the right of entry to the Commonwealth of Kentucky and its authorized agents the right to enter upon this land for the purpose of performing such activities.

Note 12. Contingencies

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

Note 13. Payroll Revolving Account

The reconciled balance of the payroll revolving account as of June 30, 2020 \$81,336, was added to the general fund cash balance for financial reporting purposes.

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

Note 14. Conduit Debt

From time to time, the county has issued bonds to provide financial assistance to an industrial authority 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 Marshall County Fiscal Court's name as issuer, the fiscal court has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf it is issued. Neither the fiscal court nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statement. As of June 30, 2020, conduit debt has been issued but the amount currently outstanding is not reasonably determinable.

Note 15. Prior Period Adjustments

Financial statement beginning balances were restated as follow:

	General Fund	Jail Commissary Fund
Ending Cash Balance Prior Year	\$ 3,014,859	\$ 199,538
Adjustments:		
Prior Year Voided Checks	<u>2,985</u>	<u>120</u>
Beginning Fund Balance - Restated	<u>\$ 3,017,844</u>	<u>\$ 199,658</u>

Note 16. Public Properties Corporation Justice Center Debt Service Fund Name Change

The Public Properties Corporation Justice Center Debt Service Fund's bonds were refunded on April 3, 2012 by the Marshall County Fiscal Court. The fund was renamed during fiscal year 2020 to reflect the issuance of bonds by the fiscal court in fiscal year 2012 and appropriately renamed to the Debt Service Fund.

Note 17. Subsequent Event

In December 2020, the county passed an ordinance to authorize the issuance of involvement in the Marshall County Fiscal Court Small Business Relief Program in the amount of \$3,000,000.

MARSHALL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2020

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MARSHALL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2020

	GENERAL FUND			
	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 2,432,500	\$ 2,432,500	\$ 2,853,432	\$ 420,932
In Lieu Tax Payments	816,500	816,500	889,074	72,574
Excess Fees	205,000	205,000	283,478	78,478
Licenses and Permits	78,000	78,000	97,069	19,069
Intergovernmental	1,970,350	2,084,832	2,529,006	444,174
Charges for Services	32,500	32,500		(32,500)
Miscellaneous	45,296	1,471,821	1,343,964	(127,857)
Interest	12,000	12,115	70,308	58,193
Total Receipts	<u>5,592,146</u>	<u>7,133,268</u>	<u>8,066,331</u>	<u>933,063</u>
DISBURSEMENTS				
General Government	7,164,708	10,813,828	10,370,695	443,133
Protection to Persons and Property	507,005	596,902	551,848	45,054
General Health and Sanitation	335,200	337,925	315,227	22,698
Social Services	131,700	131,950	124,352	7,598
Recreation and Culture	910,100	910,130	857,546	52,584
Debt Service	60,000	293,014	2,636,635	(2,343,621)
Capital Projects	189,000	390,866	328,906	61,960
Administration	865,334	8,267,103	1,290,455	6,976,648
Total Disbursements	<u>10,163,047</u>	<u>21,741,718</u>	<u>16,475,664</u>	<u>5,266,054</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(4,570,901)</u>	<u>(14,608,450)</u>	<u>(8,409,333)</u>	<u>6,199,117</u>
Other Adjustments to Cash (Uses)				
Bond Proceeds		7,300,000	7,300,000	
Reoffering Premium		32,104	32,104	
Financing Obligation Proceeds			2,745,363	2,745,363
Transfers From Other Funds	2,616,501	5,472,137	5,472,137	
Transfers To Other Funds		(1,167,927)	(1,167,927)	
Total Other Adjustments to Cash (Uses)	<u>2,616,501</u>	<u>11,636,314</u>	<u>14,381,677</u>	<u>2,745,363</u>
Net Change in Fund Balance	(1,954,400)	(2,972,136)	5,972,344	8,944,480
Fund Balance Beginning (Restated)	<u>1,900,000</u>	<u>2,909,057</u>	<u>2,909,057</u>	
Fund Balance - Ending	<u>\$ (54,400)</u>	<u>\$ (63,079)</u>	<u>\$ 8,881,401</u>	<u>\$ 8,944,480</u>

MARSHALL 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	\$ 2,239,250	\$ 2,675,934	\$ 2,508,626	\$ (167,308)
Charges for Services			2,983	2,983
Miscellaneous		13,705	16,543	2,838
Interest	8,000	8,000	13,968	5,968
Total Receipts	<u>2,247,250</u>	<u>2,697,639</u>	<u>2,542,120</u>	<u>(155,519)</u>
DISBURSEMENTS				
Roads	3,888,244	4,287,786	3,976,169	311,617
Administration	573,400	592,557	524,117	68,440
Total Disbursements	<u>4,461,644</u>	<u>4,880,343</u>	<u>4,500,286</u>	<u>380,057</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,214,394)</u>	<u>(2,182,704)</u>	<u>(1,958,166)</u>	<u>224,538</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>1,321,594</u>	<u>1,321,594</u>	<u>1,727,050</u>	<u>405,456</u>
Total Other Adjustments to Cash (Uses)	<u>1,321,594</u>	<u>1,321,594</u>	<u>1,727,050</u>	<u>405,456</u>
Net Change in Fund Balance	(892,800)	(861,110)	(231,116)	629,994
Fund Balance Beginning	<u>875,000</u>	<u>890,102</u>	<u>890,102</u>	
Fund Balance - Ending	<u>\$ (17,800)</u>	<u>\$ 28,992</u>	<u>\$ 658,986</u>	<u>\$ 629,994</u>

MARSHALL 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	\$ 1,754,500	\$ 1,754,500	\$ 2,248,458	\$ 493,958
Charges for Services	13,500	13,500	11,025	(2,475)
Miscellaneous	76,000	76,000	94,545	18,545
Interest	3,000	3,000	4,925	1,925
Total Receipts	<u>1,847,000</u>	<u>1,847,000</u>	<u>2,358,953</u>	<u>511,953</u>
DISBURSEMENTS				
Protection to Persons and Property	1,807,155	1,815,066	1,738,514	76,552
Administration	785,700	782,700	742,269	40,431
Total Disbursements	<u>2,592,855</u>	<u>2,597,766</u>	<u>2,480,783</u>	<u>116,983</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(745,855)</u>	<u>(750,766)</u>	<u>(121,830)</u>	<u>628,936</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	403,955	500,805	203,955	(296,850)
Total Other Adjustments to Cash (Uses)	<u>403,955</u>	<u>500,805</u>	<u>203,955</u>	<u>(296,850)</u>
Net Change in Fund Balance	(341,900)	(249,961)	82,125	332,086
Fund Balance Beginning	<u>325,000</u>	<u>228,150</u>	<u>228,150</u>	
Fund Balance - Ending	<u>\$ (16,900)</u>	<u>\$ (21,811)</u>	<u>\$ 310,275</u>	<u>\$ 332,086</u>

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

	FEDERAL GRANT FUND			
	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Intergovernmental	\$		\$ 433,747	\$ 402,837
Miscellaneous		\$ 30,910	1,668	1,668
Interest			2,458	2,458
Total Receipts		<u>30,910.00</u>	<u>437,873</u>	<u>406,963</u>
DISBURSEMENTS				
General Health and Sanitation		598,851.00	346,549	252,302
Total Disbursements		<u>598,851</u>	<u>346,549</u>	<u>252,302</u>
Excess (Deficiency) of Receipts Over				
Disbursements Before Other				
Adjustments to Cash (Uses)				
		<u>(567,941)</u>	<u>91,324</u>	<u>659,265</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds		375,300		(375,300)
Transfers To Other Funds			(283,685)	(283,685)
Total Other Adjustments to Cash (Uses)		<u>375,300</u>	<u>(283,685)</u>	<u>(658,985)</u>
Net Change in Fund Balance		(192,641)	(192,361)	280
Fund Balance Beginning		<u>192,641.00</u>	<u>192,641</u>	
Fund Balance - Ending	\$	<u>0</u>	\$ 280	\$ 280

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

	EMERGENCY 911 FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 160,000	\$ 160,000	\$ 151,625	\$ (8,375)
Intergovernmental	212,000	412,367	201,988	(210,379)
Interest	750	750	2,090	1,340
Total Receipts	<u>372,750</u>	<u>573,117</u>	<u>355,703</u>	<u>(217,414)</u>
DISBURSEMENTS				
Protection to Persons and Property	598,200	851,769	833,971	17,798
Administration	235,000	235,000	236,863	(1,863)
Total Disbursements	<u>833,200</u>	<u>1,086,769</u>	<u>1,070,834</u>	<u>15,935</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(460,450)</u>	<u>(513,652)</u>	<u>(715,131)</u>	<u>(201,479)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>372,950</u>	<u>372,950</u>	<u>712,950</u>	<u>340,000</u>
Total Other Adjustments to Cash (Uses)	<u>372,950</u>	<u>372,950</u>	<u>712,950</u>	<u>340,000</u>
Net Change in Fund Balance	(87,500)	(140,702)	(2,181)	138,521
Fund Balance Beginning (Restated)	<u>80,000</u>	<u>80,000</u>	<u>29,879</u>	<u>(50,121)</u>
Fund Balance - Ending	<u>\$ (7,500)</u>	<u>\$ (60,702)</u>	<u>\$ 27,698</u>	<u>\$ 88,400</u>

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

	OCCUPATIONAL TAX ADMINISTRATOR FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 5,100,000	\$ 5,100,000	\$ 5,807,995	\$ 707,995
Interest	25,000	25,000	66,256	41,256
Total Receipts	<u>5,125,000</u>	<u>5,125,000</u>	<u>5,874,251</u>	<u>749,251</u>
DISBURSEMENTS				
General Government	60,000	60,000	14,305	45,695
Administration	3,000,000	3,163,455	591	3,162,864
Total Disbursements	<u>3,060,000</u>	<u>3,223,455</u>	<u>14,896</u>	<u>3,208,559</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>2,065,000</u>	<u>1,901,545</u>	<u>5,859,355</u>	<u>3,957,810</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			721,071	721,071
Transfers To Other Funds	(4,715,000)	(4,861,972)	(7,426,951)	(2,564,979)
Total Other Adjustments to Cash (Uses)	<u>(4,715,000)</u>	<u>(4,861,972)</u>	<u>(6,705,880)</u>	<u>(1,843,908)</u>
Net Change in Fund Balance	(2,650,000)	(2,960,427)	(846,525)	2,113,902
Fund Balance Beginning	<u>2,750,000</u>	<u>3,126,223</u>	<u>3,133,054</u>	<u>6,831</u>
Fund Balance - Ending	<u>\$ 100,000</u>	<u>\$ 165,796</u>	<u>\$ 2,286,529</u>	<u>\$ 2,120,733</u>

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

ANIMAL SHELTER FUND				
	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Miscellaneous	\$	\$ 32,890	\$ 39,158	\$ 6,268
Total Receipts		<u>32,890</u>	<u>39,158</u>	<u>6,268</u>
DISBURSEMENTS				
Protection to Persons and Property		32,890	3,438	29,452
Total Disbursements		<u>32,890</u>	<u>3,438</u>	<u>29,452</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			<u>35,720</u>	<u>35,720</u>
Net Change in Fund Balance			35,720	35,720
Fund Balance Beginning				
Fund Balance - Ending	\$	0	\$ 35,720	\$ 35,720

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

	ALCOHOL BEVERAGE CONTROL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 270,000	\$ 270,000	\$ 256,712	\$ (13,288)
Licenses and Permits	28,000	28,000	62,979	34,979
Interest	500	500	2,078	1,578
Total Receipts	<u>298,500</u>	<u>298,500</u>	<u>321,769</u>	<u>23,269</u>
DISBURSEMENTS				
General Government	31,510	31,510	11,154	20,356
Protection to Persons and Property	346,200	328,700	285,453	43,247
Administration	23,990	39,636	4,373	35,263
Total Disbursements	<u>401,700</u>	<u>399,846</u>	<u>300,980</u>	<u>98,866</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(103,200)</u>	<u>(101,346)</u>	<u>20,789</u>	<u>122,135</u>
Net Change in Fund Balance	(103,200)	(101,346)	20,789	122,135
Fund Balance Beginning	<u>100,000</u>	<u>118,146</u>	<u>118,146</u>	<u></u>
Fund Balance - Ending	<u>\$ (3,200)</u>	<u>\$ 16,800</u>	<u>\$ 138,935</u>	<u>\$ 122,135</u>

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

	BUILDING INSPECTION FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Licenses and Permits	\$ 162,500	\$ 162,500	\$ 277,173	\$ 114,673
Miscellaneous			241	241
Interest	500	500	1,053	553
Total Receipts	<u>163,000</u>	<u>163,000</u>	<u>278,467</u>	<u>115,467</u>
DISBURSEMENTS				
Protection to Persons and Property	165,600	256,839	254,938	1,901
Administration	37,600	13,301	12,100	1,201
Total Disbursements	<u>203,200</u>	<u>270,140</u>	<u>267,038</u>	<u>3,102</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(40,200)</u>	<u>(107,140)</u>	<u>11,429</u>	<u>118,569</u>
Net Change in Fund Balance	(40,200)	(107,140)	11,429	118,569
Fund Balance Beginning	<u>40,000</u>	<u>41,144</u>	<u>41,144</u>	<u></u>
Fund Balance - Ending	<u>\$ (200)</u>	<u>\$ (65,996)</u>	<u>\$ 52,573</u>	<u>\$ 118,569</u>

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

June 30, 2020

Note 1. Budgetary Information

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

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

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

Note 2. Reconciliation of the General Fund

Other Adjustments to Cash - General Fund	\$ 14,381,677
To adjust for change in Payroll Revolving Accounts	<u>(27,451)</u>
Total Adjustments to Cash	<u><u>\$ 14,354,226</u></u>

Ending Balance - General Fund	\$ 8,881,401
To adjust for Payroll Revolving Account	<u>81,336</u>
Total Ending Balance - General Fund	<u><u>\$ 8,962,737</u></u>

Note 3. Excess of Line Item Disbursements Over Appropriations

General fund line item debt service exceeded appropriations by \$2,343,621 and the Emergency 911 line item administrative expenditures exceeded appropriations by \$1,863.

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

For The Year Ended June 30, 2020

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MARSHALL 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
Construction in Progress	\$ 81,825.00	\$ 1,797,746	\$	\$ 1,879,571
Land and Land Improvements	2,150,185			2,150,185
Buildings and Building Improvements	15,685,188			15,685,188
Vehicles and Equipment	7,874,298	714,433	164,408	8,424,323
Infrastructure	22,372,823	3,960,095		26,332,918
 Total Capital Assets	 <u>\$ 48,164,319</u>	 <u>\$ 6,472,274</u>	 <u>\$ 164,408</u>	 <u>\$ 54,472,185</u>

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

June 30, 2020

Note 1. Capital Assets

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

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

**MARSHALL COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For The Year Ended June 30, 2020

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**MARSHALL COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For The Year Ended June 30, 2020

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity's Identifying Number</u>	<u>Provided to Subrecipient</u>	<u>Total Federal Expenditures</u>
<u>Delta Regional Authority</u>				
<i>Direct Program</i>				
Delta Regional Development	90.200	KY 53872	_____	_____ 10,255
Total Delta Regional Authority			=====	===== 10,255
<u>Election Assistance Commission</u>				
<i>Direct Program</i>				
Help America Vote Act	90.404		_____	_____ 15,360
Total Election Assistance Commission			=====	===== 15,360
<u>U. S. Department of Environmental Protection Agency</u>				
<i>Passed-Through Kentucky Instructure Authority</i>				
Capitalization Grants For Clean Water State Revolving Funds	66.458	A 18-014		_____ 191,794
<i>Passed-Through Kentucky Division of Water</i>				
Marshall County Homeowner Assistance Program	66.605	A 18-014	_____	_____ 36,323
Total U.S. Department of Environmental Protection Agency			=====	===== 228,117
<u>U. S. Department of Homeland Security</u>				
<i>Passed-Through State Department of Homeland Security:</i>				
Disaster Grant - Public Assistance	97.036	SC0951900001681		_____ 16,173
Emergency Management Performance Grants	97.042	SC0952100000605	_____	_____ 14,192
Total U.S. Department of Homeland Security			=====	===== 30,365
<u>US Department of Treasury</u>				
<i>Passed-Through Kentucky Department For Local Government</i>				
COVID-19 - Coronavirus Relief Fund	21.019	PON21122100000672	\$ _____	\$ _____ 551,829
Total US Department of Treasury			=====	===== 551,829
Total Expenditures of Federal Awards			\$ _____ 0	\$ _____ 835,926

MARSHALL COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2020

Note 1. Basis of Presentation

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

Marshall County has not adopted an indirect cost rate.

Note 4. Kentucky Infrastructure Loan Program

On October 1, 2018 Marshall County entered into an assistance agreement with the Kentucky Infrastructure Authority (KIA) for the purpose of the expansion of the Draffenville sewer system. The estimated cost of the project is \$3,066,988. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The principal balance as of June 30, 2020, was \$2,745,363. This project has been closed out, therefore, future principal and interest payments are disclosed in the notes to the financial statements.

Note 5. Amounts Passed Through to Subrecipients Column

The column on the accompanying schedule captioned "Amounts Passed Through to Subrecipients" represents the amounts transferred by the Marshall County Fiscal Court to subrecipients. During the fiscal year the Marshall County Fiscal Court did not pass any federal funds to subrecipients.

**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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The Honorable Kevin Neal, Marshall County Judge/Executive
Members of the Marshall 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 Marshall County Fiscal Court for the fiscal year ended June 30, 2020, and the related notes to the financial statement which collectively comprise the Marshall County Fiscal Court's financial statement and have issued our report thereon dated December 2, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Marshall County Fiscal Court's internal control over financial reporting (internal control as 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 Marshall County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Marshall 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 Questioned Costs we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 2020-001, 2020-003, 2020-006, 2020-007 and 2020-009 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 deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2020-004, and 2020-005 to be significant deficiencies.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Marshall 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 2020-001, 2020-002, 2020-003, 2020-006, 2020-007, 2020-008 and 2020-009.

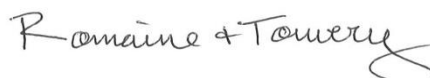
Views of Responsible Officials and Planned Corrective Action

Marshall 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,



Romaine & Towery

December 2, 2021

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

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The Honorable Kevin Neal, Marshall County Judge/Executive
Members of the Marshall County Fiscal Court

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

Independent Auditor's Report

Report on Compliance for Each Major Federal Program

We have audited the Marshall 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 Marshall County Fiscal Court's major federal programs for the year ended June 30, 2020. The Marshall 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 Marshall 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 Marshall 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 Marshall County Fiscal Court's compliance.

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

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance with the compliance requirements referred to above that are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2020-001 and 2020-002. Our opinion on each major federal program is not modified with respect to these matters.

Marshall County Fiscal Court's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and/or corrective action plan. Marshall County Fiscal Court's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

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

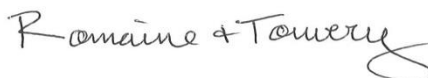
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2020-001 and 2020-002 that we consider to be material weaknesses.

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

Marshall County Fiscal Court's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and/or corrective action plan. Marshall County Fiscal Courts response was not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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,

A handwritten signature in cursive script that reads "Romaine & Towery". The signature is written in dark ink and is positioned to the right of the typed name.

Romaine & Towery

December 2, 2021

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

For The Year Ended June 30, 2020

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

For The Year Ended June 30, 2020

Section I: Summary of Auditor's Results

Financial Statement

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

Internal control over financial reporting:

Are any material weaknesses identified?	<input 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 checked="" type="checkbox"/> Yes	<input 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 - <i>unmodified</i>		
Are any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
21.019	Covid-19 Relief Fund For States

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

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

Section II: Financial Statement Findings

2020-003 The Marshall County Fiscal Court Lacks Internal Controls Over Bank Accounts and Reconciliations

The fiscal court had lack of internal controls over bank accounts and reconciliations. The general fund, occupational tax fund, public properties corporation debt service fund, public properties corporation capital project fund, and the payroll fund did not reconcile properly at year-end. The general fund was understated by \$22,197, the occupational tax fund was understated by \$715,125, the public properties corporation debt service fund was understated by \$2,285, and the public properties corporation capital project fund was understated by \$8. The payroll fund was overstated by \$191,015. The government funds available at year-end were understated by \$550,518.

This was due in part to the reconciliation process and the lack of segregation of duties in order to verify and of month balances are correct and agree with bank balances. In addition, there are no internal controls verifying the payroll account balances to zero or a predetermined balance.

The lack of accounting records and related financial statements resulted in non-compliance with the Department for Local Government reporting requirements. By not having adequate controls over bank accounts and reconciliations, the fiscal court cannot ensure that county funds are properly safeguarded and available for county use.

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of account. The *Department for Local Government's (DLG) County Budget Preparation and State Local Finance Officer Policy Manual* states the minimum requirements for handling public funds include monthly bank reconciliations and books of original entry for receipts and expenditures. In addition, good internal controls dictate that all funds handling financial obligations of the county be accounted for properly and reviewed on a regular basis. This would include receipts and disbursements ledgers, an accurate bank reconciliation.

We recommend that a bank reconciliation be performed for all bank accounts owned or managed by the Fiscal Court. This reconciliation should include a comparison of ledger amounts recorded to the figures presented by the bank. We recommend that all bank reconciliations should be checked for accuracy and outstanding checks should be followed up on in a timely manner. The payroll account should reconcile to zero or an amount established by the fiscal court.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: This finding relates to the comment that there were inadequate internal controls over bank accounts and reconciliations. Specifically, the finding references occupational tax fund understatement. This issue was discovered and corrected with the Department for Local Government, to whom we report fund balances. Additionally, we will follow the recommendations of the auditors on reconciling the payroll account down to an established number.

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

Section II: Financial Statement Findings (Continued)

2020-004 The Marshall County Fiscal Court Has Deficiencies With Their Reporting Of Encumbrances

The county also listed no encumbrances at the year end, despite invoices dated for the 2020 fiscal year being paid in the 2021 fiscal year.

Bills and purchase orders are not reviewed in order to determine if an encumbrance exists.

Encumbrances are also misstated on the 4th quarter financial statement, and are not tracked properly.

A purchase order system that is designed and works effectively creates strong internal controls over expenditures, and will aid in correctly reporting encumbrances.

Auditor recommend that the fiscal court strengthen internal controls over the Purchase order system. Purchase orders should be acquired from the finance office before making any order or purchase. Invoices should then be matched to purchase orders and then claims can be made. Once Fiscal Court approves the claims, payment can be made.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: This finding relates to the comment that there were deficiencies with the reporting of encumbrances. This is the first year of use of the new purchase order system that allows for the creation of encumbrances. Action plan includes purchase order creation before making any order or purchase, invoices and purchase orders matching, and detailed reporting of encumbrances

2020-005 The Marshall County Detention Center Has A Lack Of Segregation Of Duties Over Jail Commissary Operations

This is a repeat finding and was included in the prior year report as finding 2019-005. The Marshall County Detention Center lacks adequate segregation of duties over the jail commissary operations.

Due to a limited number of staff and the diversity of operations, the bookkeeper is required to perform multiple tasks such as posting to the receipts and disbursements ledgers, preparing bank deposits, preparing bank reconciliations, and preparing financial reports.

A lack of segregation of duties or strong oversight increases the risk that errors or fraud could occur and not be detected.

Segregation of duties over these tasks, or the implementation of compensating controls when limited by staff, is essential for providing protection from asset misappropriation and helping prevent inaccurate financial reporting.

Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

To adequately prevent the misappropriation of assets, we recommend the Jailer separate the duties of collecting receipts, deposit preparation, bank reconciliations and other accounting functions. If these duties cannot be separated due to limited staff, then strong oversight should be provided to employee or employees responsible for these duties.

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

Section II: Financial Statement Findings (Continued)

2020-005 The Marshall County Detention Center Has A Lack Of Segregation Of Duties Over Jail Commissary Operations (Continued)

Views of Responsible Official and Planned Corrective Action:

County Jailer's Response: Due to limited staff and diversity of operation the bookkeeper is required to perform multiple tasks. Due to limited staffing these duties cannot be separated, therefore we have implemented strong oversight of the employee or employees responsible for those duties.

2020-006 The Marshall County Fiscal Court Did Not Properly Budget For And Record All Debt Related Disbursements.

The Marshall County Fiscal Court entered into a Note with Kentucky Infrastructure Authority (KIA) on April 1, 2020 in the amount of \$2,745,363 in order to retire the line of credit in the amount of \$2,343,826. The Fiscal Court did not record or budget for this transaction.

The receipts and disbursements associated with debt service payments for the KIA were not included in the budget process nor subsequently reported on the county's financial statements. Since the transactions were made by KIA, the county was not aware that these transactions should be reported as activity of the General Fund.

Because the county failed to amend the budget according to KRS 68.280, they were not in compliance with statute. Failing to properly budget or amend budget line item resulted in following budget line item exceeding budgeted appropriation, which is not in compliance with applicable statutes.

- General fund debt service exceeded budgeted appropriations by \$2,343,621.

KRS 68.280 states, "The fiscal court may make provision for the expenditure of receipts unanticipated in the original budget by preparing an amendment to the budget, showing the source and amount of the unanticipated receipts and specifying the budget funds that are to be increased thereby."

KRS 68.300 states, "Any appropriation made or claim allowed by the fiscal court in excess of any budget fund, and any warrant or contract not within the budget appropriation, shall be void."

We recommend the fiscal court comply with KRS 68.280 and KRS 68.300 by budgeting all fiscal court disbursements and amending the budget as necessary to reflect unanticipated receipts and disbursements, including those handled by a third-party lender.

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

Section II: Financial Statement Findings (Continued)

2020-006 The Marshall County Fiscal Court Did Not Properly Budget For And Record All Debt Related Disbursements. (Continued)

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: This finding relates to the comment that all debt related disbursements were not properly budgeted for and recorded. The county only reported the Note with the Kentucky Infrastructure Authority, not the line of credit that was retired with the issuance of the Note. Since these transactions for the line of credit were made by the KIA, the county was not aware that these transactions should be included as activity in our funds. For future notes, if there are lines of credit that precede a note that are handled by a third-party lender, the retired line of credit will be reported along with the Note. Additionally, the funds that have been historically designated as Public Properties Corporation Funds were never brought into the Fiscal Court financials due with this classification not being required to be brought into the court's financials. However, auditors brought to our attention that around 2012, the Marshall County Fiscal Court's Public Properties Corporation was reclassified, and no longer fell under that designation. The funds should have been brought into the court's financials at that time, but were not. Additionally, throughout the years that followed the reclassification, this issue has never been raised on an audit until the current audit. Per auditor recommendations, the Treasurer will present an amendment to the current year budget to bring this item into the Fiscal Court financials.

2020-007 The Marshall County Fiscal Court Has Material Weaknesses And Noncompliances Regarding Payroll And Timekeeping In Processing The Marshall County Detention Center (Jail).

The Marshall County Fiscal Court had material weaknesses and noncompliances surrounding payroll and timekeeping in processing the Marshall County Detention Center (Jail). The following findings were noted with the Marshall County Detention Center (Jail) payroll:

- The time tracking software was not utilized properly by the employees of the Jail for the fiscal year 2020, all employees tested in three different months revealed the following: clock in/out within the time tracking software was not enforced for jail employees.
- Timesheets were kept manually; but administrative employees would override the time tracking software and manually override hours worked including vacation and holiday.
- Some timesheet entries made by administrative personnel would not match actually time worked on manual timesheets that was signed by employees and supervisors.
- Multiple employees' timesheets were not approved by a supervisor or missing employee's signatures.
- Some employees were either under or overpaid for time actually worked.
- Some manual timesheets included a written term called "BANKED HOURS", which were not actual hours worked during the pay period. No documentation was provided on these hours.
- Employees were not paid in compliance with KRS 337.320(1)(b) and the Marshall County Administrative Code.
- Some overtime hours were not properly attributed to employees as required by KRS 337.285(1)
- Personnel files were incomplete as to withholdings authorizations.
- Vacation, Holiday or Sick leave balances were not maintained and paid in accordance with the Marshall County Administrative Code.

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

Section II: Financial Statement Findings (Continued)

2020-007 The Marshall County Fiscal Court Has Material Weaknesses And Noncompliances Regarding Payroll And Timekeeping In Processing The Marshall County Detention Center (Jail). (Continued)

Management's override of internal controls over payroll and timekeeping within the Marshall County Detention Center (Jail).

The lack of internal controls over payroll expenses may result in misstating the financial statements or paying employees wrong amounts. In addition, it also increases the risk of fraudulent payroll transactions occurring and not being detected. There is an increased probability of incorrect time recording, which may result in the under or overpayment of wages. By not maintaining proper documentation to support the approval of leave and sick pay, there is no assurance mechanism to verify the accuracy of such payments to employees.

Strong internal controls over payroll and timekeeping are vital in ensuring that payroll amounts are calculated and accounted for 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 state statutes. KRS 337.320(1) requires that "[e]very employer shall keep a record of: (a) The amount paid each pay period of each employee; (b) The hours worked each day and each week by each employee; and (c) Such other information the commissioner requires." Also, KRS 337.285(1) states "[n]o employer shall employ any of his employees for a work week longer than forty (40) hours, unless such employee receives compensation for his employment in excess of forty (40) hours in a work week at a rate of not less than one and one-half (1-1/2) times the hourly wage rate at which he is employed." The Marshall County Fiscal Court relied on the Marshall County Detention Center (Jail) to implement a strong internal control system without sufficient oversight. As a result, the above-mentioned findings occurred.

Auditor recommends that the fiscal court require the Marshall County Detention Center (Jail):

- Use the time tracking software for each employee, any management override should be documented with a valid reason.
- Timesheets should be maintained by all non-exempt employees as required by KRS 337.320(1)(b). Timesheets should document the hours worked each day and each week by each employee.
- All timesheets should be signed by the corresponding employee and his or her supervisor.
- Overtime should be paid to all employees based on hours actually worked, including any applicable overtime in accordance with KRS 337.285(1) and the Marshall County Administrative Code.
- Maintain leave balances for all employees in accordance with the Marshall County Administrative Code.
- An individual independent of the payroll process should review payroll transactions, including payroll checks, to verify that amounts have been calculated properly and that they are properly supported.
- Personnel files should be complete as to all withholding authorizations and updated when any changes occur.
- The fiscal court should consult with the county attorney or an outside attorney in regards to the payroll discrepancies for the Marshall County Detention Center.

By implementing the above recommendations, the county can strengthen its internal control system over payroll and timekeeping and reduce the risks of noncompliance and payroll errors. Such procedures will also protect the county against potential payroll disputes.

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

Section II: Financial Statement Findings (Continued)

2020-007 The Marshall County Fiscal Court Has Material Weaknesses And Noncompliances Regarding Payroll And Timekeeping In Processing The Marshall County Detention Center (Jail). (Continued)

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: This finding is in regards to the comment that "The Marshall County Fiscal Court relied on the Marshall County Detention Center (Jailer) to implement a strong internal control system without sufficient oversight. As a result (findings occurred)."

In June of 2016, an administrative code was put into place for all county departments. At that time, the county attorney had advised the Fiscal Court that elected officials, including the jailer, could not operate under their own policies, and that these policies did not have to mirror the Fiscal court Administrative Code Policies. On March 16, 2021 the County Judge Executive had Denton Law firm come to the Fiscal Court's meeting to present a legal opinion on the application of the Marshall County Fiscal Court Administrative Code to elected officials and their employees, specifically in regards to the Jailer and the Sheriff. Since that time, the Fiscal Court has continued to pay jail employees according to the original opinion expressed by the county attorney that the Jailer could operate fell under Jailer policies and/or practices. Concerns about jail policies and practices were brought forward by a 3rd party to the Judge Executive, who passed these concerns on to the auditors in February 2021, which ultimately resulted in these findings. In accordance with the Auditor recommendations and advice on legislation requiring Jails to operate under the Fiscal Court's control, the Jailer's employees now, as of August 1, 2021 follow Fiscal court policies and procedures as supplied by the County Administrative Code. This includes required usage of the county's time tracking software. All Jailer's employees will "live" clock in and out from the system. Each employee will be responsible for approving their own time punches at the end of a payroll period. The Jailer or his designee will act as managerial approval within the time keeping system at the end of a payroll period, thus taking responsibility and liability for verification of hours worked. Additionally, the jailer or his designee will continue to be required to keep records of support of hours worked by employees. Habitual manual override of hours by Jailer Administration will not be tolerated as acceptable operations. All of these actions will be required to act as a means to verify that time being paid was actually worked and compensated accordingly. Further, the time keeping system will now be utilized to track earned leave and used leave, with evidence of leave balances being calculated per the hours worked and leave requested through the payroll software system. Lastly, per the written Auditor recommendations, the County Judge Executive will consult with an outside attorney in regards to: 1) the payroll discrepancies for the Marshall County Detention Center, 2) the audit finding of non-compliance with KRS 337.85, 3) the audit recommendation of inquiry into the Jailer's prior use of "banked hours", 4) the audit finding of payment to jail employees made for hours that were not worked, 5) the audit finding of improper payment for hours worked overtime, 6) potential for Department of Labor violations.

2020-008 The Marshall County Jailer Did Not Comply With KRS 441.225

The jailer shall submit, in accordance with county payroll procedures, time reports for all full-time and part-time jail personnel and employees to the county treasurer or other designated payroll official. The county treasurer shall review and pay such claims in accordance with policies and procedures for the payment of other county employees.

The jail did not comply with KRS 441.225 procedures of the Marshall County Administrative Code.

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

Section II: Financial Statement Findings (Continued)

2020-008 The Marshall County Jailer Did Not Comply With KRS 441.225 (Continued)

By not complying with the Marshall County Administrative Code and KRS 441.225 employees were not paid in accordance the Marshall County Administrative Code.

The Jail is required per KRS 441.225 to submit in accordance with the County payroll procedures which is detailed in the County's Administrative Code.

Auditor recommends that the Jail Operations comply with KRS 441.225

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: This finding is in regards to the comment that "The Marshall County jailer did not comply with KRS 441.225 and with the Marshall Administrative Code.

In June of 2016, an administrative code was put into place for all county departments. At that time, the county attorney had advised the Fiscal Court that elected officials, including the jailer, could not operate under their own policies, and that these policies did not have to mirror the Fiscal court Administrative Code Policies. On March 16, 2021 the County Judge Executive had Denton Law firm come to the Fiscal Court's meeting to present a legal opinion on the application of the Marshall County Fiscal Court Administrative Code to elected officials and their employees, specifically in regards to the Jailer and the Sheriff. Since that time, the Fiscal Court has continued to pay jail employees according to the original opinion expressed by the county attorney that the Jailer could operate fell under Jailer policies and/or practices. Concerns about jail policies and practices were brought forward by a 3rd party to the Judge Executive, who passed these concerns on to the auditors in February 2021, which ultimately resulted in these findings. In accordance with the Auditor recommendations and advice on legislation requiring Jails to operate under the Fiscal Court's control, the Jailer's employees now, as of August 1, 2021 follow Fiscal court policies and procedures as supplied by the County Administrative Code. This includes required usage of the county's time tracking software. All Jailer's employees will "live" clock in and out from the system. Each employee will be responsible for approving their own time punches at the end of a payroll period. The Jailer or his designee will act as managerial approval within the time keeping system at the end of a payroll period, thus taking responsibility and liability for verification of hours worked. Additionally, the jailer or his designee will continue to be required to keep records of support of hours worked by employees. Habitual manual override of hours by Jailer Administration will not be tolerated as acceptable operations. All of these actions will be required to act as a means to verify that time being paid was actually worked and compensated accordingly. Further, the time keeping system will now be utilized to track earned leave and used leave, with evidence of leave balances being calculated per the hours worked and leave requested through the payroll software system. Lastly, per the written Auditor recommendations, the County Judge Executive will consult with an outside attorney in regards to: 1) the payroll discrepancies for the Marshall County Detention Center, 2) the audit finding of non-compliance with KRS 337.85, 3) the audit recommendation of inquiry into the Jailer's prior use of "banked hours", 4) the audit finding of payment to jail employees made for hours that were not worked, 5) the audit finding of improper payment for hours worked overtime, 6) potential for Department of Labor violations.

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

Section II: Financial Statement Findings (Continued)

2020-009 The Marshall County Detention Center (Jail) Did Not Properly Compensate Employees For Overtime

Marshall County Detention Center (Jail) employees were not properly compensated for hours worked in excess of 40 hours per week. According to the Administrative Code all non-exempt employees who have worked in excess of 40 hours in one work week are to receive wages at one-half time for each hour worked in excess of 40 hours. All Non-exempt employees shall have the option to take compensatory time in-lieu of overtime. The election to choose compensatory time must be filed with the Human Resource Director. Compensatory time shall be earned at time and half of hours worked. On occasion, due to operating and service requirements for the County, employees may be required to work on a holiday. If an exempt employee works on a holiday, a commensurate day off at a later time will be designated by the department head. If a non-exempt employee works on the approved holiday, they will receive eight (8) hours of regular pay plus time and one-half (1.5) times their regular rate for every hour worked on that approved holiday.

During our testing, Marshall County Detention Center (Jail) employees were compensated for hours not worked or not compensated for all hours worked based on employee timesheets. "We also noted that timesheets had written "Banked Hours" which no documentation existed for such hours paid to employees.

The jail did not comply with the policies and procedures of the County Administrative Code.

Labor laws are enacted to protect the rights, health and financial remuneration of workers. Therefore, when federal and state laws conflict, the U.S. Department of Labor instructs employers and employees to follow the law that provides the highest standard of protection to employees and the strictest standard for employees. If county employees are not paid according, the fiscal court could be in violation of state and federal laws. According to KRS 337.285(1), "No employer shall employ any of his employees for a work week longer than forty (40) hours, unless such employee receives compensation for his employment in excess of forty (40) hours in a work week at a rate of not less than one and one-half (1-1/2) times the hourly wage rate at which he is employed. KRS 337.285(4) further states "Upon the written request by a county or city employee, made freely and without coercion, pressure, or suggestion by the employer, and upon a written agreement reached between the employer and the county or city employee before the performance of the work, a county or city employee who is not exempt from the provisions of the Federal Fair Labor Standards Act of 1938, as amended, 29 U.S.C. secs. 201 et seq., may be granted compensatory time in lieu of overtime pay, at the rate of not less than one and one-half (1-1/2) hours for each hour the county or city employee is authorized to work in excess of forty (40) hours in a work week." The Marshall County Fiscal Court should inquire of the Marshall County Attorney or an outside Attorney in regards to non-compliance of KRS 337.285(1).

The Marshall County Detention Center (Jail) is required per KRS 441.225 to submit in accordance with the County payroll procedures which is detailed in the County's Administrative Code.

Auditor recommends that the Marshall County Fiscal Court require the Detention Center (Jail) to comply with KRS 337.285, by compensating the jail employees with wages at a rate of not less than one and one-half hours for each hour worked in excess of 40 hours in a work week. We also recommend that the Marshall County Fiscal Court should inquire of the Marshall County Attorney or an outside Attorney in regards to non-compliance of KRS 337.285(1) and inquiry on information regarding the "Banked Hours".

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

Section II: Financial Statement Findings (Continued)

2020-009 The Marshall County Detention Center (Jail) Did Not Properly Compensate Employees For Overtime (Continued)

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: This finding is in regards to the comment that "Marshall County Detention Center (Jail) employees were compensated for hours not worked or not compensated for all hours worked based on employee timesheets," the effect of which is that "the Fiscal Court could be in violation of state and federal law."

In June of 2016, an administrative code was put in place for all county departments. At that time, the county attorney had advised the Fiscal Court that elected officials, including jailer, could not operate under their own policies, and that these policies did not have a mirror the Fiscal Court Administrative Code policies. On March 16, 2021 the County Judge Executive had Denton Law firm come to the Fiscal Court's meeting to present a legal opinion on the application of the Marshall County Fiscal Court Administrative Code to elected officials and their employees, specifically in regards to the Jailer and the Sheriff. Since that time, the Fiscal Court has continued to pay jail employees according to the original opinion expressed by the county attorney that the Jailer could operate under their own policies. Therefore, payroll was paid solely according to information provided by the Jailer that fell under Jailer policies and/or practices. Concerns about Jail policies and practices were brought forward by a 3rd party to the Judge Executive, who passed these concerns on to the auditors in February 2021, which ultimately resulted in these findings. In accordance with Auditor recommendations and advice on legislation requiring Jails to operate under the Fiscal court's control, the Jailer's employees now, as of August 1, 2021, follow Fiscal Court policies and procedures as supplied by the County Administrative Code. This includes required usage of the county's time tracking software. All Jailer's employee's will "live" clock in and out from the system, as well as make all time off requests through the system. Each employee will be responsible for approving their own time punches at the end of a pay period. The Jailer or his designee will act as managerial approval within the time keeping system at the end of a payroll period, thus taking responsibility and liability for verification of hours worked by employees. Habitual manual override of hours by Jailer administration will not be tolerated as acceptable operations. All of these actins will be required to act as a means to verify that time being paid was actually worked and compensated accordingly. Further, the time keeping software will now be utilized to track earned leave and used leave, with evidence of leave balances being calculated per the hours worked and leave requested through the payroll software system. Lastly, per the written Auditor recommendations, the County Judge Executive will consult with an outside attorney in regards to: : 1) the payroll discrepancies for the Marshall County Detention Center, 2) the audit finding of non-compliance with KRS 337.85, 3) the audit recommendation of inquiry into the Jailer's prior use of "banked hours", 4) the audit finding of payment to jail employees made for hours that were not worked, 5) the audit finding of improper payment for hours worked overtime, 6) potential for Department of Labor violations.

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

Section III: Federal Award Findings And Questioned Costs

2020-001 The Marshall County Fiscal Court's Schedule Of Expenditures Of Federal Awards Was Materially Misstated

Federal Program: CFDA 21.019 Coronavirus Relief Fund

Award Number and Year: C267 2020

Name of Federal Agency and Pass-Through Agency: US Department of Treasury, Kentucky Department for Local Government

Compliance Requirements: Reporting

Type of Finding: Material Weakness and Material Non-Compliance

Amount of Questioned Costs: \$0

The fiscal court's internal controls were not adequate to ensure the Schedule of Expenditures Of Federal Awards (SEFA) accurately reported all federal awards expended. The county treasurer has overall responsibility for final preparation of the SEFA. The SEFA for fiscal year 2020 was materially misstated. The treasurer's final submitted SEFA total was \$1,045,560. The Emergency Management Performance Grant was overstated by \$3,814, the Delta Regional Grant was overstated by \$20,655, the Marshall County Homeowner's Assistance Program was overstated by \$128,240, the Help America Vote Act was understated by \$15,360, and the Coronavirus Relief Fund was overstated by \$72,286; resulting in the SEFA to be overstated by \$209,634. This is a material weakness in internal controls over the SEFA's preparation and reporting.

This misstatement is largely the result of turnover in the county treasurer's office near the end of the fiscal year, and the lack of familiarity with the reporting requirements. The county treasurer prepared the SEFA based on grant awards received rather than grant funds expended. The fiscal court failed to implement internal controls procedures to ensure the SEFA was accurate and complete. Based on the amount of federal funds omitted from the SEFA, the fiscal court was not aware that they met the requirements of CFR Part 200 of the Uniform Guidance which increases the risk of material noncompliance.

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) states:

§200.502 Basis for determining Federal awards expended.

(a) *Determining Federal awards expended.* The determination of when a Federal award is expended must be based on when the activity related to the Federal award occurs.

(b) *Loan and loan guarantees (loans).* Since the Federal Government is at risk for loans until the debt is repaid, the following guidelines must be used to calculate the value of Federal awards expended under loan programs, except as noted in paragraphs (c) and (d) of this section: (1) Value of new loans made or received during the audit period; plus (2) Beginning of the audit period balance of loans from previous years for which the Federal Government imposes continuing compliance requirements; plus (3) Any interest subsidy, cash, or administrative cost allowance received.

§200.510 Financial Statements

(b) *Schedule of expenditures of Federal awards.* The 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 as determined in accordance with §200.502 Basis for determining Federal awards expended.

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

Section III: Federal Award Findings And Questioned Costs (Continued)

2020-001 The Marshall County Fiscal Court's SEFA Was Materially Misstated (Continued)

We recommend the fiscal court provide knowledgeable and independent oversight of SEFA preparation and ensure staff responsible for it do an effective job, perform a detailed reconciliation of the federal assistance reported by the treasurer, and establish reporting guidance and assistance to the treasurer to ensure timely, accurate and consistent information and periodically assess the effectiveness of the treasurer's records to ensure accurate reporting.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: This finding relates to the comment that the Schedule of Federal Awards (SEFA) was materially misstated. The SEFA form requests a reporting of all federal awards expended in order to establish if a Federal single audit is required. There are two items on the SEFA that were overstated. The overstatement did not affect whether the threshold for a single audit was met. Additionally, a large portion of the total misstatement amount is attributed to Coronavirus Relief Fund expenditures. The specific expenditures represented payroll that was submitted to the Department for Local Government for CARES reimbursement for hours worked prior to the period of allowable reimbursement. The Department for Local Government's guidance allowed for funds expended during the time period under question to be reimbursed, which payroll in question was paid out during the time period allowed. Further, this payroll was approved through the thorough review process and reimbursed by the Department for Local Government, and supplied that there were other eligible payroll expenses during the time period that were not yet reimbursed by CARES funds. The representative from DLG accepted the additional expenses as a substitution for the payroll that was not within the time frame. Per DLG written response this resolved any issue with the CARES related expense prior to the completion of this audit.

Planned corrective actions include verifying outstanding loan balances and sources at fiscal year-end prior to completing SEFA. Further, collaborative researching efforts between the Treasurer's Office, the County Judge/Executive, Deputy Judge and any department director responsible for grants will occur prior to external reporting of federal funding.

2020-002 The Fiscal Court Failed To Implement Adequate Internal Controls Over Period Of Performance

Federal Program: CFDA 21.019 Coronavirus Relief Fund

Award Number and Year: C267 2020

Name of Federal Agency and Pass-Through Agency: US Department of Treasury, Kentucky Department for Local Government

Compliance Requirements: Period of Performance

Type of Finding: Material Weakness and Material Non-Compliance

Amount of Questioned Costs: \$71,399

The Fiscal Court failed to properly monitor or establish internal controls over period of performance for the Coronavirus Relief Fund. The fiscal court expended funds for payroll, protective supplies, and disinfection without regards to requirements of the Coronavirus Relief Fund period of performance.

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

Section III: Federal Award Findings And Questioned Costs (Continued)

2020-002 The Fiscal Court Failed To Implement Adequate Internal Controls Over Period Of Performance
(Continued)

As a result of the internal control deficiency, the following questionable costs were noted during testing:

- \$71,399 for eligible payroll expenses were expended before the period of performance of March 1, 2019 as mandated by Program 21.019.

These items are considered questionable costs in relation to the grant agreement thus a total of \$71,399 is considered questionable costs.

Per CFDA 21.019, the Coronavirus Relief Fund is to provide direct payments to state, territorial, tribal, and eligible local governments to cover:

- Necessary expenditures incurred due to the public health emergency with respect to Coronavirus Disease 2019 (COVID-19);
- Costs that were not accounted for in the government's most recently approved budget as of March 27, 2020; and
- Costs that were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020, per section 601(d) of the Social Security Act, as added by section 5001 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act).

The Fiscal Court should implement internal controls over period of performance to determine if expenses are in compliance with applicable laws, regulations, and provisions of contracts or grant agreements.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: This finding relates to the comment that there were inadequate internal controls over period of performance, specifically Coronavirus Relief Fund. The finding states that \$71,399 for eligible payroll expenses that were reimbursed through the Coronavirus Relief Fund were expended before the period of performance. The Department for Local Government's guidance allowed for funds expended during the time period allowed. Further, this payroll was approved through the thorough review process and reimbursed by the Department for Local Government who was administering these funds. When this was discovered, the Treasurer contacted the Department for Local Government, and supplied that there were other eligible payroll expenses during the time period that were not yet reimbursed by CARES funds. The representative from DLG accepted the additional expenses as a substitution for the payroll that was not within the time frame. Per DLG written responses this resolved any issue with the CARES related expenses prior to the completion of this audit.

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

Section IV: Review of Prior Year Findings and Questioned Costs

2019-001 The Marshall County Fiscal Court's Schedule Of Expenditures Of Federal Awards Was Materially Misstated

Status: The comment was repeated

2019-002 Material Weaknesses Exist Over The Reporting Of Liabilities And Debt

Status: The comment was corrected

2019-003 The Marshall County Fiscal Court Failed To Have A Written Security Agreement With The Bank

Status: The comment was corrected

2019-004 The Marshall County Fiscal Court Has Deficiencies With Their Purchase Order System And Reporting Of Encumbrances

Status: The comment was repeated

2019-005 The Marshall County Detention Center Has A Lack Of Segregation Of Duties Over Jail Commissary Operations

Status: The comment was repeated

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

MARSHALL COUNTY FISCAL COURT

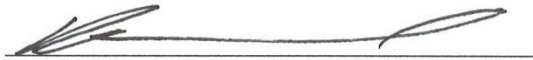
For The Year Ended June 30, 2020

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CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
MARSHALL COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2020

The Marshall 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