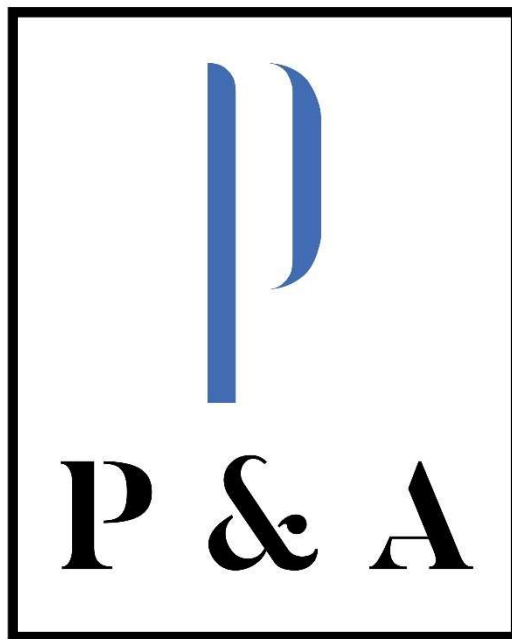


**REPORT OF THE AUDIT OF THE
SPENCER COUNTY
FISCAL COURT**

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



PATRICK & ASSOCIATES, LLC

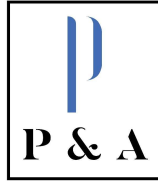
**124 Candlewood Drive
Winchester, KY 40391**

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PATRICK & ASSOCIATES, LLC

124 Candlewood Drive
Winchester, KY 40391

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable John Riley, Spencer County Judge/Executive
Members of the Spencer 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 Spencer County Fiscal Court, for the year ended June 30, 2021, and the related notes to the financial statement which collectively comprise the Spencer 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 John Riley, Spencer County Judge/Executive
Members of the Spencer 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 Spencer 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 Spencer County Fiscal Court as of June 30, 2021, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of the Spencer County Fiscal Court as of June 30, 2021, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government 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 Spencer County Fiscal Court. The Budgetary Comparison Schedules and Schedule of Capital Assets are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

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

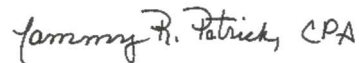
The Schedule of Capital Assets has not been subjected to the auditing procedures applied in the audit of the basic financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2022 on our consideration of the Spencer 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 Spencer County Fiscal Court's internal control over financial reporting and compliance.

Respectfully submitted,



Tammy R. Patrick, CPA
Patrick & Associates, LLC

June 6, 2022

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

John Riley	County Judge/Executive
Mike Moody	Magistrate
Tim Brewer	Magistrate
Jim Travis	Magistrate
Jerry Moody	Magistrate
Brett Beaverson	Magistrate

Other Elected Officials:

Kenneth S. Jones	County Attorney
Melvin Gore	Jailer
Lynn Hesselbrock	County Clerk
Becky M. Robinson	Circuit Court Clerk
Scott Herndon	Sheriff
Kim Stump	Property Valuation Administrator
Katelyn O'Grady	Coroner

Appointed Personnel:

Doug Williams	County Treasurer
Brittany Veto	Deputy County Judge Executive

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

For The Year Ended June 30, 2021

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

For The Year Ended June 30, 2021

	Budgeted Funds				Total Funds
	General Fund	Road Fund	Jail Fund	Federal Grants Fund	
RECEIPTS					
Taxes	\$ 2,975,543	\$	\$	\$	\$ 2,975,543
In Lieu Tax Payments	35,696				35,696
Licenses and Permits	506,944				506,944
Intergovernmental	3,741,050	1,005,241	81,625	881,182	5,709,098
Charges for Services	416,394				416,394
Miscellaneous	61,031	25,993	1,252		88,276
Interest	2,481	1,031	34		3,546
Total Receipts	7,739,139	1,032,265	82,911	881,182	9,735,497
DISBURSEMENTS					
General Government	2,430,632				2,430,632
Protection to Persons and Property	1,418,077		222,257		1,640,334
General Health and Sanitation	234,735				234,735
Social Services	50,778				50,778
Recreation and Culture	171,127				171,127
Roads		1,891,535			1,891,535
Debt Service	86,040				86,040
Capital Projects	1,544				1,544
Administration	740,410	238,424	24,511		1,003,345
Total Disbursements	5,133,343	2,129,959	246,768		7,510,070
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	2,605,796	(1,097,694)	(163,857)	881,182	2,225,427
Other Adjustments to Cash (Uses)					
Transfers From Other Funds	881,182	116,593	180,328		1,178,103
Transfers To Other Funds	(296,921)			(881,182)	(1,178,103)
Total Other Adjustments to Cash (Uses)	584,261	116,593	180,328	(881,182)	
Net Change in Fund Balance	3,190,057	(981,101)	16,471		2,225,427
Fund Balance - Beginning	324,010	1,333,583	38,311		1,695,904
Fund Balance - Ending	\$ 3,514,067	\$ 352,482	\$ 54,782	\$ 0	\$ 3,921,331
Composition of Fund Balance					
Bank Balance	\$ 3,544,128	\$ 358,039	\$ 54,859	\$	\$ 3,957,026
Less: Outstanding Checks	(30,061)	(5,557)	(77)		(35,695)
Fund Balance - Ending	\$ 3,514,067	\$ 352,482	\$ 54,782	\$ 0	\$ 3,921,331

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

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENT**

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SPENCER COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2021

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Basis of Accounting

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

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

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

Federal Grants Fund - The primary purpose of this fund is to account for federal grant monies received.

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.

E. Spencer County Elected Officials

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

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

F. Deposits and Investments

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

G. Long-term Obligations

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

Note 2. Deposits and Investments

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

Custodial Credit Risk - Deposits

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

Note 3. Transfers

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

	General Fund	Federal Grants Fund	Total Transfers In
General Fund	\$	\$ 881,182	\$ 881,182
Road Fund	116,593		116,593
Jail Fund	180,328		180,328
Total Transfers Out	<u>\$ 296,921</u>	<u>\$ 881,182</u>	<u>\$ 1,178,103</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.

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

Note 4. Long-term Debt

A. Direct Borrowings and Direct Placements

1. Ambulance Building

On January 15, 2013, Spencer County Fiscal Court signed an agreement with the Spencer County Extension Foundation to purchase the old extension building for \$250,000 at an interest rate of zero percent for ten years. The building is pledged as collateral. In the event of default, the Lessor may file suit to assess a tax to cover the lease liability, take immediate possession of the project, sell or lease the project and hold lessee liable for any amount not covered by sublease, and/or exercise any other right, remedy or privilege which may be available to it under the laws of the Commonwealth. Spencer County Fiscal Court paid \$22,500 on the lease agreement during fiscal year 2021. The following schedule indicates the required payments according to the original lease agreement. The outstanding principal balance was \$35,625 as of June 30, 2021.

Fiscal Year Ending June 30	Principal
2022	\$ 22,500
2023	13,125
Totals	<u>\$ 35,625</u>

2. Floodwall and Ambulance Vehicles

On December 21, 2016, Spencer County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust to borrow \$240,000 to finance the inspection, repair, and recertification of a levee to USACE standards and for the acquisition of ambulance vehicles at a fixed interest rate of 3.562 percent for five years. In the event of default, the Lessor may file suit to assess a tax to cover the lease liability, take immediate possession of the project, sell or lease the project and hold lessee liable for any amount not covered by sublease, and/or exercise any other right, remedy or privilege which may be available to it under the laws of the Commonwealth. Spencer County Fiscal Court paid \$52,061 on the lease agreement during fiscal year 2021. The following schedule indicates the required principal payments according to the original lease agreement. The outstanding principal balance was \$29,827 as of June 30, 2021.

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 29,827	\$ 355
Totals	<u>\$ 29,827</u>	<u>\$ 355</u>

3. Type I Ambulance

On May 22, 2018, Spencer County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust to borrow \$135,000 to finance the acquisition of a 2018 Type I Ambulance at a fixed interest rate of 4.55 percent for five years. The ambulance is pledged as collateral. In the event of default, the Lessor may file suit to assess a tax to cover the lease liability, take immediate possession of the project, sell or lease the project and hold lessee liable for any amount not covered by sublease, and/or exercise any other right, remedy or privilege which may be available to it under the laws of the Commonwealth. Principal and interest payments are to be made monthly until May 20, 2023. Spencer County Fiscal Court paid \$30,239 on the lease agreement during fiscal year 2021. The following schedule indicates the required principal payments according to the original lease agreement. The outstanding principal balance was \$54,849 as of June 30, 2021.

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

Note 4. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

3. Type I Ambulance (Continued)

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 28,119	\$ 355
2023	26,730	611
Totals	<u>\$ 54,849</u>	<u>\$ 966</u>

B. Changes In Long-term Debt

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

	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 219,902	\$	\$ 99,601	\$ 120,301	\$ 80,446
Total Long-term Debt	<u>\$ 219,902</u>	<u>\$ 0</u>	<u>\$ 99,601</u>	<u>\$ 120,301</u>	<u>\$ 80,446</u>

The beginning balance of the ambulance building principal amount was restated by \$1,875 to correct a prior period misstatement.

C. Aggregate Debt Schedule

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

Fiscal Year Ending June 30	Direct Borrowings and Direct Placements	
	Principal	Scheduled Interest
2022	\$ 80,446	\$ 710
2023	39,855	611
Totals	<u>\$ 120,301</u>	<u>\$ 1,321</u>

Note 5. 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 2019 was \$561,523, FY 2020 was \$650,465, and FY 2021 was \$539,509.

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

Note 5. Employee Retirement System (Continued)

Nonhazardous

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

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

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

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

Hazardous

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

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

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.

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

Note 5. 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.

A. 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.

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

Note 5. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

B. 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.

C. Cost of Living Adjustments - Tier 1

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

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

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

E. Death Benefit

If a retired member is receiving a monthly benefit based on at least 48 months of service credit, 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.

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

Note 6. Deferred Compensation

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

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

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

Note 7. Health Reimbursement Account/Flexible Spending Account

Spencer County Fiscal Court established a flexible spending account on July 1, 2009, to provide employees an additional health benefit. The county has contracted with a third-party administrator to administer the plan. The plan provides a debit card to each eligible employee providing \$750 each year to pay for qualified medical expenses.

Note 8. Insurance

For the fiscal year ended June 30, 2021, the Spencer 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 9. Contingencies

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

Note 10. Related Party Transaction

The Spencer County Fiscal Court has a contract for services with the deputy judge/executive's spouse to perform building and electrical inspections. This contract is for a period of one year and may be extended by mutual agreement on a year-to-year basis. Fees for new permit inspections, as previously established by the county, shall be paid directly to the deputy judge/executive's husband from the individuals seeking the permits and inspections.

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

For The Year Ended June 30, 2021

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SPENCER COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2021

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 2,685,860	\$ 2,778,710	\$ 2,975,543	\$ 196,833
In Lieu Tax Payments	30,000	30,000	35,696	5,696
Licenses and Permits	351,500	380,149	506,944	126,795
Intergovernmental	1,619,486	1,753,608	3,741,050	1,987,442
Charges for Services	413,000	413,000	416,394	3,394
Miscellaneous	42,600	68,974	61,031	(7,943)
Interest	1,500	1,500	2,481	981
Total Receipts	<u>5,143,946</u>	<u>5,425,941</u>	<u>7,739,139</u>	<u>2,313,198</u>
DISBURSEMENTS				
General Government	2,450,074	2,785,223	2,430,632	354,591
Protection to Persons and Property	1,274,474	1,705,774	1,418,077	287,697
General Health and Sanitation	191,640	262,928	234,735	28,193
Social Services	56,200	59,450	50,778	8,672
Recreation and Culture	176,100	220,153	171,127	49,026
Debt Service	86,125	87,125	86,040	1,085
Capital Projects	226,100	18,501	1,544	16,957
Administration	713,948	1,134,890	740,410	394,480
Total Disbursements	<u>5,174,661</u>	<u>6,274,044</u>	<u>5,133,343</u>	<u>1,140,701</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(30,715)</u>	<u>(848,103)</u>	<u>2,605,796</u>	<u>3,453,899</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds		881,182	881,182	
Transfers To Other Funds	<u>(399,285)</u>	<u>(356,588)</u>	<u>(296,921)</u>	<u>59,667</u>
Total Other Adjustments to Cash (Uses)	<u>(399,285)</u>	<u>524,594</u>	<u>584,261</u>	<u>59,667</u>
Net Change in Fund Balance	(430,000)	(323,509)	3,190,057	3,513,566
Fund Balance - Beginning	<u>430,000</u>	<u>324,009</u>	<u>324,010</u>	<u>1</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 500</u>	<u>\$ 3,514,067</u>	<u>\$ 3,513,567</u>

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

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,418,687	\$ 2,769,934	\$ 1,005,241	\$ (1,764,693)
Miscellaneous	200	23,018	25,993	2,975
Interest	500	903	1,031	128
Total Receipts	<u>1,419,387</u>	<u>2,793,855</u>	<u>1,032,265</u>	<u>(1,761,590)</u>
DISBURSEMENTS				
Roads	1,640,887	3,489,943	1,891,535	1,598,408
Administration	298,500	754,587	238,424	516,163
Total Disbursements	<u>1,939,387</u>	<u>4,244,530</u>	<u>2,129,959</u>	<u>2,114,571</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(520,000)</u>	<u>(1,450,675)</u>	<u>(1,097,694)</u>	<u>352,981</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	10,000	116,592	116,593	1
Transfers To Other Funds				
Total Other Adjustments to Cash (Uses)	<u>10,000</u>	<u>116,592</u>	<u>116,593</u>	<u>1</u>
Net Change in Fund Balance	(510,000)	(1,334,083)	(981,101)	352,982
Fund Balance - Beginning	<u>510,000</u>	<u>1,333,583</u>	<u>1,333,583</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (500)</u>	<u>\$ 352,482</u>	<u>\$ 352,982</u>

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

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 84,175	\$ 84,175	\$ 81,625	\$ (2,550)
Miscellaneous	100	1,251	1,252	1
Interest	40	40	34	(6)
Total Receipts	<u>84,315</u>	<u>85,466</u>	<u>82,911</u>	<u>(2,555)</u>
DISBURSEMENTS				
Protection to Persons and Property	466,990	346,501	222,257	124,244
Administration	31,610	31,560	24,511	7,049
Total Disbursements	<u>498,600</u>	<u>378,061</u>	<u>246,768</u>	<u>131,293</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(414,285)</u>	<u>(292,595)</u>	<u>(163,857)</u>	<u>128,738</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	389,285	254,285	180,328	(73,957)
Total Other Adjustments to Cash (Uses)	<u>389,285</u>	<u>254,285</u>	<u>180,328</u>	<u>(73,957)</u>
Net Change in Fund Balance	(25,000)	(38,310)	16,471	54,781
Fund Balance - Beginning	<u>25,000</u>	<u>38,310</u>	<u>38,311</u>	<u>1</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 54,782</u>	<u>\$ 54,782</u>

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

	FEDERAL GRANTS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$		\$ 881,182	\$ (200,000)
Total Receipts		\$ 1,081,182	881,182	(200,000)
DISBURSEMENTS				
Administration		200,000		200,000
Total Disbursements		200,000		200,000
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		881,182	881,182	
Other Adjustments to Cash (Uses)				
Transfers To Other Funds		(881,182)	(881,182)	
Total Other Adjustments to Cash (Uses)		(881,182)	(881,182)	
Net Change in Fund Balance				
Fund Balance - Beginning				
Fund Balance - Ending	\$	0	\$ 0	\$ 0

SPENCER COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2021

Note 1. Budgetary Information

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

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

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

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

For The Year Ended June 30, 2021

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SPENCER COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2021

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 503,354	\$	\$	\$ 503,354
Land Improvements	130,312			130,312
Buildings and Improvements	2,617,813			2,617,813
Vehicles and Equipment	3,309,558	682,159		3,991,717
Infrastructure	6,531,799	773,476		7,305,275
Total Capital Assets	\$ 13,092,836	\$ 1,455,635	\$ 0	\$ 14,548,471

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

June 30, 2021

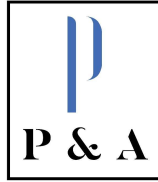
Note 1. Capital Assets

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

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

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

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PATRICK & ASSOCIATES, LLC

124 Candlewood Drive
Winchester, KY 40391

The Honorable John Riley, Spencer County Judge/Executive
Members of the Spencer 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 Spencer County Fiscal Court for the fiscal year ended June 30, 2021 and the related notes to the financial statement which collectively comprise the Spencer County Fiscal Court's financial statement and have issued our report thereon dated June 6, 2022.

Internal Control Over Financial Reporting

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

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 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. *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.

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance And Other Matters

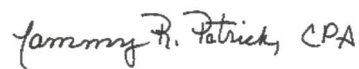
As part of obtaining reasonable assurance about whether the Spencer County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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)

Purpose of this Report

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

Respectfully submitted,

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

Tammy R. Patrick, CPA
Patrick & Associates, LLC

June 6, 2022

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