

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

**For The Year Ended
June 30, 2022**



**ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS
auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
MARSHALL COUNTY OFFICIALS	5
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - REGULATORY BASIS.....	8
NOTES TO FINANCIAL STATEMENT.....	13
BUDGETARY COMPARISON SCHEDULES.....	49
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES	63
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	67
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	68
SCHEDULE OF CAPITAL ASSETS.....	71
NOTES TO OTHER INFORMATION - REGULATORY BASIS SCHEDULE OF CAPITAL ASSETS.....	72
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 <i>GOVERNMENT AUDITING STANDARDS</i>	75
REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE	79
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	85
APPENDIX A: CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	

THIS PAGE LEFT BLANK INTENTIONALLY



ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

Independent Auditor's Report

To the People of Kentucky

The Honorable Andy Beshear, Governor

Holly M. Johnson, Secretary

Finance and Administration Cabinet

The Honorable Kevin Spraggs, Marshall County Judge/Executive

The Honorable Kevin Neal, Former Marshall County Judge/Executive

Members of the Marshall County Fiscal Court

Report on the Audit of the Financial Statement

Opinions

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, 2022, 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.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompany financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and changes in fund balances – regulatory basis of the Marshall County Fiscal Court, for the year ended June 30, 2022, in accordance with accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

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 section of our report, the financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Marshall County Fiscal Court, for the year ended June 30, 2022, or the changes in financial position and cash flows thereof for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Fiscal Court Audit Guide* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of Marshall County Fiscal Court and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



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

Responsibilities of Management for the Financial Statement

Marshall County Fiscal Court's management is responsible for the preparation and fair presentation of the 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 Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit 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 Marshall County Fiscal Court's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Marshall County Fiscal Court's ability to continue as a going concern for a reasonable period of time.

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

Auditor's Responsibilities for the Audit of the Financial Statement (Continued)

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

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

Other Information

Management is responsible for the other information included in this report. The other information is comprised of the schedule of capital assets but does not include the financial statement and our auditor's report thereon. Our opinions on the financial statement do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statement, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statement, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2024, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the 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:

- 2022-001 Marshall County's Fourth Quarter Financial Statement Was Materially Misstated Due To Inadequate Internal Controls Over Financial Reporting
- 2022-002 The Marshall County Fiscal Court Lacks Adequate Controls Over Disbursements
- 2022-003 The Marshall County Fiscal Court Did Not Pay The Short Term Debt Obligation Note By The End Of The Fiscal Year
- 2022-004 The Marshall County Fiscal Court Did Not Maintain A Complete And Accurate Schedule Of Leases
- 2022-005 The Marshall County Fiscal Court Lacks Adequate Internal Controls Over The Preparation Of The Schedule Of Expenditures Of Federal Awards
- 2022-006 The Marshall County Fiscal Court Failed To Implement Adequate Controls Over Federal Expenditures

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

April 29, 2024

MARSHALL COUNTY OFFICIALS**For The Year Ended June 30, 2022****Fiscal Court Members:**

Kevin Neal	County Judge/Executive
Monti Collins	Commissioner
Justin 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, Occupational Tax Administrator
Desiree Hermosillo	Assistant Treasurer, Finance Officer
Brad Warning	Deputy Judge/Executive

THIS PAGE LEFT BLANK INTENTIONALLY

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

For The Year Ended June 30, 2022

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

For The Year Ended June 30, 2022

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 2,974,257	\$ 169,025	\$
In Lieu Tax Payments	716,581		
Excess Fees	153,008		
Licenses and Permits	61,259		
Intergovernmental	3,876,914	1,895,965	1,510,423
Charges for Services	24,000	2,218	3,675
Miscellaneous	727,037	107,696	68,371
Transient Room Tax			
Interest	40,917	8,488	3,176
Total Receipts	<u>8,573,973</u>	<u>2,183,392</u>	<u>1,585,645</u>
DISBURSEMENTS			
General Government	4,685,699		
Protection to Persons and Property	699,598		1,550,608
General Health and Sanitation	438,662		
Social Services	7,076		
Recreation and Culture	1,000,552		
Roads		2,743,239	
Debt Service	1,148,956		
Capital Projects			
Administration	890,142	532,809	704,692
Total Disbursements	<u>8,870,685</u>	<u>3,276,048</u>	<u>2,255,300</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(296,712)</u>	<u>(1,092,656)</u>	<u>(669,655)</u>
Other Adjustments to Cash (Uses)			
Direct Borrowings			
Change in Payroll Revolving Account	35,888		
Transfers From Other Funds	3,015,448	1,188,965	1,195,365
Transfers To Other Funds	(610,425)		(100,526)
Total Other Adjustments to Cash (Uses)	<u>2,440,911</u>	<u>1,188,965</u>	<u>1,094,839</u>
Net Change in Fund Balance	2,144,199	96,309	425,184
Fund Balance - Beginning (Restated)	<u>5,877,201</u>	<u>680,530</u>	<u>119,897</u>
Fund Balance - Ending	<u>\$ 8,021,400</u>	<u>\$ 776,839</u>	<u>\$ 545,081</u>
Composition of Fund Balance			
Bank Balance	\$ 8,347,137	\$ 814,484	\$ 559,734
Payroll Revolving Account Reconciled Balance	134,319		
Plus: Deposits In Transit			
Less: Outstanding Checks	(460,056)	(37,645)	(14,653)
Fund Balance - Ending	<u>\$ 8,021,400</u>	<u>\$ 776,839</u>	<u>\$ 545,081</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, 2022
(Continued)

Budgeted Funds						
Federal Grant Fund	Tornado Debris Removal Fund	E911 Fund	Occupational Tax Administrator Fund	Animal Shelter Donation Fund	Sheriff Fund	Alcohol Beverage Control Fund
\$	\$	\$ 32,725	\$ 6,672,361	\$	\$	\$ 343,522
						30,250
15,848		220,399			2,076,045	
		1,276		25,113	500	
219		5,565	25,643			4,106
16,067		259,965	6,698,004	25,113	2,076,545	377,878
			21,851		4,019,368	12,263
	6,633,264	2,314,511		18,406		
		259,413				
	6,633,264	2,573,924	21,851	18,406	4,019,368	12,263
16,067	(6,633,264)	(2,313,959)	6,676,153	6,707	(1,942,823)	365,615
	6,633,264					
		1,166,501	50,300		2,148,534	
(15,848)		(39,223)	(7,635,872)			(385,100)
(15,848)	6,633,264	1,127,278	(7,585,572)		2,148,534	(385,100)
219		(1,186,681)	(909,419)	6,707	205,711	(19,485)
9,600		1,329,390	3,498,981	24,932	17,200	218,393
\$ 9,819	\$ 0	\$ 142,709	\$ 2,589,562	\$ 31,639	\$ 222,911	\$ 198,908
\$ 9,819	\$ 1,488	\$ 410,628	\$ 2,589,562	\$ 34,070	\$ 264,052	\$ 198,913
	193,117					
	(194,605)	(267,919)		(2,431)	(41,141)	(5)
\$ 9,819	\$ 0	\$ 142,709	\$ 2,589,562	\$ 31,639	\$ 222,911	\$ 198,908

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, 2022
(Continued)

	Budgeted Funds			Public Properties Corporation
	Building Inspection Fund	American Rescue Plan Act Fund	CDBG Fund	Justice Center Capital Projects Fund
RECEIPTS				
Taxes	\$	\$	\$	\$
In Lieu Tax Payments				
Excess Fees				
Licenses and Permits	192,788			
Intergovernmental		3,025,083		
Charges for Services				
Miscellaneous		12,896		
Transient Room Tax				
Interest	879	26,404		
Total Receipts	193,667	3,064,383		
DISBURSEMENTS				
General Government				
Protection to Persons and Property	167,486			
General Health and Sanitation				
Social Services				
Recreation and Culture				
Roads				
Debt Service				
Capital Projects		28,240		
Administration				
Total Disbursements	167,486	28,240		
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	26,181	3,036,143		
Other Adjustments to Cash (Uses)				
Direct Borrowings				
Payroll Revolving Account				
Transfers From Other Funds				
Transfers To Other Funds		(18,743)		
Total Other Adjustments to Cash (Uses)		(18,743)		
Net Change in Fund Balance	26,181	3,017,400		
Fund Balance - Beginning (Restated)	67,488	522		8
Fund Balance - Ending	\$ 93,669	\$ 3,017,922	\$ 0	\$ 8
Composition of Fund Balance				
Bank Balance	\$ 98,083	\$ 3,017,922		\$ 8
Payroll Revolving Account Reconciled Balance				
Plus: Deposits In Transit				
Less: Outstanding Checks	(4,414)			
Fund Balance - Ending	\$ 93,669	\$ 3,017,922	\$ 0	\$ 8

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, 2022
(Continued)

Unbudgeted Funds				
Transient Room Tax Fund	Federal Asset Forfeiture Fund	Public Properties Corporation Justice Center Debt Service Fund	Jail Commissary Fund	Total Funds
\$	\$	\$	\$	\$ 10,191,890
				716,581
				153,008
				284,297
		497,500		13,118,177
				29,893
	4,026		65,765	1,012,680
371,253				371,253
			293	115,690
<u>371,253</u>	<u>4,026</u>	<u>497,500</u>	<u>66,058</u>	<u>25,993,469</u>
				8,739,181
				11,365,467
				457,068
				7,076
363,982			37,398	1,401,932
				2,743,239
		538,125		1,687,081
				28,240
				2,387,056
<u>363,982</u>	<u></u>	<u>538,125</u>	<u>37,398</u>	<u>28,816,340</u>
<u>7,271</u>	<u>4,026</u>	<u>(40,625)</u>	<u>28,660</u>	<u>(2,822,871)</u>
				6,633,264
				35,888
		40,624		8,805,737
				(8,805,737)
		<u>40,624</u>		<u>6,669,152</u>
7,271	4,026	(1)	28,660	3,846,281
170	4,358	1	226,656	12,075,327
<u>\$ 7,441</u>	<u>\$ 8,384</u>	<u>\$ 0</u>	<u>\$ 255,316</u>	<u>\$ 15,921,608</u>
\$ 7,441	\$ 8,384	\$	\$ 256,458	\$ 16,618,183
				134,319
				193,117
			(1,142)	(1,024,011)
<u>\$ 7,441</u>	<u>\$ 8,384</u>	<u>\$ 0</u>	<u>\$ 255,316</u>	<u>\$ 15,921,608</u>

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

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENT**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	13
NOTE 2.	DEPOSITS	17
NOTE 3.	TRANSFERS.....	17
NOTE 4.	CUSTODIAL FUNDS	17
NOTE 5.	LEASES	18
NOTE 6.	SHORT-TERM DEBT	36
NOTE 7.	LONG-TERM DEBT	36
NOTE 8.	EMPLOYEE RETIREMENT SYSTEM	40
NOTE 9.	DEFERRED COMPENSATION.....	44
NOTE 10.	HEALTH REIMBURSEMENT ACCOUNT/FLEXIBLE SPENDING ACCOUNT	44
NOTE 11.	LANDFILL CLOSURE AND POST-CLOSURE COSTS	44
NOTE 12.	INSURANCE.....	44
NOTE 13.	PAYROLL REVOLVING ACCOUNT	45
NOTE 14.	CONDUIT DEBT.....	45
NOTE 15.	COMMITMENTS AND CONTINGENCIES	45
NOTE 16.	PRIOR PERIOD ADJUSTMENT	45

**MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2022

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 for and on behalf of, and as the agency and instrumentality of 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 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 no longer are 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, 2022
(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 source of receipts for this fund are grants from the state and federal governments.

Tornado Debris Removal Fund - The primary purpose of this fund is to account for tornado debris removal and related disbursements. The primary source 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 the emergency dispatch services. The primary sources of receipts for this fund are 911 service fees as well as other fees received from the state.

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 Donation 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.

Sheriff Fund - The primary purpose of this fund is to account for sheriff's office receipts. Sheriff office receipts are recorded in this fund and then expended for the operation of the sheriff's office.

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.

American Rescue Plan Act Fund - The primary purpose of this fund to account for American Rescue Plan Act receipts and expenditures.

CDBG Fund - The primary purpose of this fund is to account for Community Development Block Grant funds. The primary source of receipts for this fund are grants from the state and federal government.

Public Properties Corporation Justice Center Capital Projects Fund - The primary purpose of this fund is to account for the remaining funds from the public property bond redemption fund. The primary source of receipts for this fund are from bonds that were issued.

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Transient Room Tax Fund - The primary purpose of this fund is to account for the transient room taxes collected and distributed to the Marshall County Tourism Board. The primary source of receipts for this fund are taxes collected for short term rentals. The fiscal court should budget and report this activity as a fund.

Federal Asset Forfeiture Fund - The primary purpose of this fund is to account for federal asset forfeiture funds received from the U.S. Department of Justice. The primary source of receipts for this fund are federal forfeitures awarded to the county to be used for law enforcement purposes. The fiscal court should budget and report this activity as a fund.

Public Properties Corporation Justice Center Debt Service Fund - The primary purpose of this fund is to account for the proceeds and debt service of revenue bonds that were issued to fund construction of public buildings.

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 according to the laws of Kentucky as required by the state local finance officer, 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.

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

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

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

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.

H. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on this criteria, the following is considered a related organization of the Marshall County Fiscal Court:

The Marshall County Tourism Board

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 2. Deposits

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of the DLG *County Budget Preparation and State Local Finance Officer Policy Manual*. As of June 30, 2022, 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 2022.

	General Fund	Jail Fund	Federal Grant Fund	E-911 Fund	Occupational Tax Fund	ABC Fund	American Rescue Plan Act Fund	Total Transfers In
General Fund	\$	\$ 100,526	\$ 15,848	\$ 39,223	\$ 2,854,842	\$	\$ 5,009	\$ 3,015,448
Road Fund					1,188,965			1,188,965
Jail Fund	5,610				1,189,755			1,195,365
E-911 Fund	513,891				652,610			1,166,501
Occupational Tax Fund	50,300							50,300
Sheriff Fund					1,749,700	385,100	13,734	2,148,534
PPC Debt Service Fund	40,624							40,624
Total Transfers Out	\$ 610,425	\$ 100,526	\$ 15,848	\$ 39,223	\$ 7,635,872	\$ 385,100	\$ 18,743	\$ 8,805,737

Reason for transfers:

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

Note 4. Custodial Funds

Custodial funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. In accordance with the regulatory basis of accounting, custodial funds are not presented on the financial statement.

The fiscal court has the following custodial fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2022, was \$45,551.

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 5. Leases

A. Lessor

1. West Kentucky Allied Services - Courthouse Suite

On June 22, 2021, the Marshall County Fiscal Court entered into a lease agreement with West Kentucky Allied Services for an office suite at the county courthouse. The term of the lease was for a period of one year, beginning July 1, 2021 and terminating on June 30, 2022. The lease does not include a monthly or annual fee for the occupancy of the suite, but rather an agreement that the tenant will continue to act in furtherance of its public purposes as proposed to the county in its grant application.

2. West Kentucky Allied Services - Senior Citizens Building

On January 18, 2022, the Marshall County Fiscal Court entered into a lease agreement with West Kentucky Allied Services (WKAS) for the temporary use of the county's senior citizens building due to the displacement of the WKAS from the recent tornado. The term of the lease was for a period of one year, beginning January 1, 2022 and terminating on December 31, 2022. WKAS agrees to pay rent to the county at a rate of \$1,000 per month. During fiscal year 2022, WKAS paid \$6,000 to the county.

3. West Kentucky Educational Cooperative - Real Estate

On June 22, 2021, the Marshall County Fiscal Court entered into a lease agreement with the West Kentucky Educational Cooperative for two tracts of land located in Calvert City, Kentucky. The term of the lease is from November 1, 2020 through June 30, 2022. The lease does not include a monthly or annual fee for the use of the real estate, but rather an agreement that the cooperative will continue to act in furtherance of its public purposes as proposed to the county in its grant application.

4. Marshall County Rescue Squad

On June 22, 2021, the Marshall County Fiscal Court entered into a lease agreement with the Marshall County Rescue Squad for a tract of land located in Benton, Kentucky. The term of the lease was for a period of one year, beginning July 1, 2021 and terminating on June 30, 2022. The lease does not include a monthly or annual fee for the use of the real estate, but rather an agreement that the rescue squad will continue to act in furtherance of its public purposes as proposed to the county.

5. Court Appointed Special Advocates

On June 22, 2021, the Marshall County Fiscal Court entered into a lease agreement with the Court Appointed Special Advocates (CASA) for an office suite at the county courthouse. The term of the lease is from July 1, 2021 through June 30, 2022. The lease does not include a monthly or annual fee for the use of the real estate, but rather an agreement that CASA will continue to act in furtherance of its public purposes as proposed to the county in its grant application.

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 5. Leases (Continued)

B. Lessee

1. Radio Tower

On August 13, 2020, the Marshall County Fiscal Court entered into a one-year lease agreement with the South Marshall Fire Department for space to install radio transmitting equipment on the fire department's radio tower. The lease automatically renews for another one-year period unless either party provides written notice of the intent to terminate the lease within thirty days of the expiration. An initial lease liability was recorded in the amount of \$3,000 during the then current fiscal year. That liability has since been paid in full, and the lease has been renewed. The Marshall County Fiscal Court currently pays \$250 per month for the lease. For fiscal year end June 30, 2022, the county paid a total of \$2,250.

2. Emergency Weather Siren

On March 15, 2022, the Marshall County Fiscal Court entered into a one-year lease agreement with the Cambridge Shores Homeowners Association for a portion of real property in order to install and maintain an emergency weather siren. The lease automatically renews for another one-year period unless either party provides written notice of the intent to terminate the lease within thirty days of the expiration. The lease does not include a monthly or annual fee for the use of the real estate, but rather an agreement that the county will install and maintain an emergency weather siren capable of warning community members of pending or imminent dangers.

3. Postage Machines

On August 13, 2021, the Marshall County Fiscal Court entered into a five-year lease agreement as lessee for the use of a postage station. An initial lease liability was recorded in the amount of \$1,316 during the then current fiscal year. As of June 30, 2022, the value of the lease liability was \$1,119. The Marshall County Fiscal Court is required to make quarterly payments of \$66. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended	
June 30	Amount
2023	\$ 263
2024	264
2025	263
2026	263
2027	66
	<u>\$ 1,119</u>

4. Postage Machines

On August 16, 2017, the Marshall County Sheriff's Office entered into a five-year lease agreement as lessee for the use of a postage station. An initial lease liability was recorded in the amount of \$3,635 during the then current fiscal year. As of June 30, 2022, the value of the lease liability was \$182. The Marshall County Fiscal Court is required to make quarterly payments of \$182. The remaining lease payments as of June 30, 2022, were as follows:

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 5. Leases (Continued)

B. Lessee (Continued)

4. Postage Machines (Continued)

Fiscal Year Ended	
June 30	Amount
2023	\$ 182
	<u>\$ 182</u>

5. Storage Container

In November 2017, the Marshall County Sheriff's Office entered into a lease with Lane's Mobile John Inc., for the use of a storage container. The lease agreement was for a minimum of two months, with the option to continue on a month-by-month basis at a rate of \$125 per month. For the fiscal year end June 30, 2022, the Marshall County Fiscal Court paid a total of \$1,500.

6. 2019 Ford F-150

On July 23, 2019, the Marshall County Fiscal Court entered into a five-year lease agreement as lessee for the use of a 2019 Ford F-150. An initial lease liability was recorded in the amount of \$25,380 during the then current fiscal year. As of June 30, 2022, the value of the lease liability was \$10,446. The Marshall County Fiscal Court is required to make monthly payments of \$423. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended	
June 30	Amount
2023	\$ 5,073
2024	5,073
2025	300
	<u>\$ 10,446</u>

7. 2019 Dodge Charger

On August 30, 2019, the Marshall County Fiscal Court entered into a four-year lease agreement as lessee for the use of a 2019 Dodge Charger. An initial lease liability was recorded in the amount of \$22,956 during the then current fiscal year. As of June 30, 2022, the value of the lease liability was \$6,663. The Marshall County Fiscal Court is required to make monthly payments of \$478. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended	
June 30	Amount
2023	\$ 5,739
2024	924
	<u>\$ 6,663</u>

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 5. Leases (Continued)

B. Lessee (Continued)

8. 2019 Dodge Charger

On September 27, 2019, the Marshall County Fiscal Court entered into a four-year lease agreement as lessee for the use of a 2019 Dodge Charger. An initial lease liability was recorded in the amount of \$22,680 during the then current fiscal year. As of June 30, 2022, the value of the lease liability was \$7,021. The Marshall County Fiscal Court is required to make monthly payments of \$472. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended	
June 30	Amount
2023	\$ 5,670
2024	1,351
	<u>\$ 7,021</u>

9. 2019 Dodge Charger

On October 16, 2019, the Marshall County Fiscal Court entered into a four-year lease agreement as lessee for the use of a 2019 Dodge Charger. An initial lease liability was recorded in the amount of \$22,771 during the then current fiscal year. As of June 30, 2022, the value of the lease liability was \$7,331. The Marshall County Fiscal Court is required to make monthly payments of \$471. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended	
June 30	Amount
2023	\$ 5,693
2024	1,638
	<u>\$ 7,331</u>

10. 2019 Dodge Charger

On November 8, 2019, the Marshall County Fiscal Court entered into a four-year lease agreement as lessee for the use of a 2019 Dodge Charger. An initial lease liability was recorded in the amount of \$23,125 during the then current fiscal year. As of June 30, 2022, the value of the lease liability was \$7,821. The Marshall County Fiscal Court is required to make monthly payments of \$482. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended	
June 30	Amount
2023	\$ 5,781
2024	2,040
	<u>\$ 7,821</u>

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 5. Leases (Continued)

B. Lessee (Continued)

11. 2016 GMC Sierra

On November 22, 2019, the Marshall County Fiscal Court entered into a five-year lease agreement as lessee for the use of a 2016 GMC Sierra. An initial lease liability was recorded in the amount of \$30,294 during the then current fiscal year. As of June 30, 2022, the value of the lease liability was \$14,491. The Marshall County Fiscal Court is required to make monthly payments of \$505. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended June 30	Amount
2023	\$ 6,059
2024	6,059
2025	2,373
	<u>\$ 14,491</u>

12. 2019 Dodge Charger

On August 7, 2019, the Marshall County Fiscal Court entered into a four-year lease agreement as lessee for the use of a 2019 Dodge Charger. An initial lease liability was recorded in the amount of \$22,956 during the then current fiscal year. As of June 30, 2022, the value of the lease liability was \$6,287. The Marshall County Fiscal Court is required to make monthly payments of \$479. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended June 30	Amount
2023	\$ 5,739
2024	548
	<u>\$ • 6,287</u>

13. 2020 Ford F-250

On January 15, 2020, the Marshall County Fiscal Court entered into a five-year lease agreement as lessee for the use of a 2020 Ford F-250. An initial lease liability was recorded in the amount of \$29,772 during the then current fiscal year. As of June 30, 2022, the value of the lease liability was \$15,110. The Marshall County Fiscal Court is required to make monthly payments of \$496. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended June 30	Amount
2023	\$ 5,954
2024	5,954
2025	3,202
	<u>\$ 15,110</u>

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 5. Leases (Continued)

B. Lessee (Continued)

14. 2019 Dodge Ram 1500

On January 19, 2020, the Marshall County Fiscal Court entered into a five-year lease agreement as lessee for the use of a 2019 Dodge Ram. An initial lease liability was recorded in the amount of \$34,296 during the then current fiscal year. As of June 30, 2022, the value of the lease liability was \$17,465. The Marshall County Fiscal Court is required to make monthly payments of \$572. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended	
June 30	Amount
2023	\$ 6,859
2024	6,859
2025	3,747
	<u>\$ 17,465</u>

15. 2017 Dodge Durango

On January 29, 2020, the Marshall County Fiscal Court entered into a two-year lease agreement as lessee for the use of a 2017 Dodge Durango. An initial lease liability was recorded in the amount of \$11,004 during the then current fiscal year. The term of the original lease expired in January 2022, however, the county opted to continue the lease on a month-to-month basis at a rate of \$434 per month.

16. 2016 Dodge Ram 3500

On January 29, 2020, the Marshall County Fiscal Court entered into a two-year lease agreement as lessee for the use of a 2016 Dodge Ram 3500. An initial lease liability was recorded in the amount of \$13,715 during the then current fiscal year. The term of the original lease expired in January 2022, however, the county opted to continue the lease on a month-to-month basis at a rate of \$540 per month.

17. 2016 Dodge Ram 2500

On January 29, 2020, the Marshall County Fiscal Court entered into a two-year lease agreement as lessee for the use of a 2016 Dodge Ram 2500. An initial lease liability was recorded in the amount of \$14,294 during the then current fiscal year. The term of the original lease expired in January 2022, however, the county opted to continue the lease on a month-to-month basis at a rate of \$563 per month.

18. 2016 Dodge Ram 2500

On January 29, 2020, the Marshall County Fiscal Court entered into a two-year lease agreement as lessee for the use of a 2016 Dodge Ram 2500. An initial lease liability was recorded in the amount of \$13,493 during the then current fiscal year. The term of the original lease expired in January 2022, however, the county opted to continue the lease on a month-to-month basis at a rate of \$532 per month.

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 5. Leases (Continued)

B. Lessee (Continued)

19. 2019 Dodge Ram 1500

On January 29, 2020, the Marshall County Fiscal Court entered into a four-year lease agreement as lessee for the use of a 2019 Dodge Ram 1500. An initial lease liability was recorded in the amount of \$14,957 during the then current fiscal year. As of June 30, 2022, the value of the lease liability was \$5,890. The Marshall County Fiscal Court is required to make monthly payments of \$312. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended June 30	Amount
2023	\$ 3,739
2024	2,151
	<u>\$ 5,890</u>

20. 2019 Dodge Ram 1500

On January 29, 2020, the Marshall County Fiscal Court entered into a four-year lease agreement as lessee for the use of a 2019 Dodge Ram 1500. An initial lease liability was recorded in the amount of \$17,803 during the then current fiscal year. As of June 30, 2022, the value of the lease liability was \$7,011. The Marshall County Fiscal Court is required to make monthly payments of \$371. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended June 30	Amount
2023	\$ 4,451
2024	2,560
	<u>\$ 7,011</u>

21. 2018 Dodge Ram 2500

On January 29, 2020, the Marshall County Fiscal Court entered into a three-year lease agreement as lessee for the use of a 2018 Dodge Ram 2500. An initial lease liability was recorded in the amount of \$18,924 during the then current fiscal year. As of June 30, 2022, the value of the lease liability was \$3,629. The Marshall County Fiscal Court is required to make monthly payments of \$526. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended June 30	Amount
2023	\$ 3,629
	<u>\$ 3,629</u>

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 5. Leases (Continued)

B. Lessee (Continued)

22. 2018 Dodge Ram 2500

On January 29, 2020, the Marshall County Fiscal Court entered into a three-year lease agreement as lessee for the use of a 2018 Dodge Ram 2500. An initial lease liability was recorded in the amount of \$19,247 during the then current fiscal year. As of June 30, 2022, the value of the lease liability was \$3,691. The Marshall County Fiscal Court is required to make monthly payments of \$535. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended	Amount
June 30	
2023	\$ 3,691
	<u>\$ 3,691</u>

23. 2018 Dodge Ram 2500

On January 29, 2020, the Marshall County Fiscal Court entered into a three-year lease agreement as lessee for the use of a 2018 Dodge Ram 2500. An initial lease liability was recorded in the amount of \$19,247 during the then current fiscal year. As of June 30, 2022, the value of the lease liability was \$3,691. The Marshall County Fiscal Court is required to make monthly payments of \$535. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended	Amount
June 30	
2023	\$ 3,691
	<u>\$ 3,691</u>

24. 2018 Jeep Wrangler

On January 24, 2020, the Marshall County Fiscal Court entered into a five-year lease agreement as lessee for the use of a 2018 Jeep Wrangler. An initial lease liability was recorded in the amount of \$32,784 during the then current fiscal year. As of June 30, 2022, the value of the lease liability was \$16,797. The Marshall County Fiscal Court is required to make monthly payments of \$546. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended	Amount
June 30	
2023	\$ 6,557
2024	6,557
2025	3,683
	<u>\$ 16,797</u>

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 5. Leases (Continued)

B. Lessee (Continued)

25. 2020 Ford F-250

On January 15, 2020, the Marshall County Fiscal Court entered into a five-year lease agreement as lessee for the use of a 2020 Ford F-250. An initial lease liability was recorded in the amount of \$32,017 during the then current fiscal year. As of June 30, 2022, the value of the lease liability was \$16,249. The Marshall County Fiscal Court is required to make monthly payments of \$526. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended	
June 30	Amount
2023	\$ 6,403
2024	6,403
2025	3,443
	<u>\$ 16,249</u>

26. 2019 Dodge Charger

On February 25, 2020, the Marshall County Fiscal Court entered into a four-year lease agreement as lessee for the use of a 2019 Dodge Charger. An initial lease liability was recorded in the amount of \$27,483 during the then current fiscal year. As of June 30, 2022, the value of the lease liability was \$11,353. The Marshall County Fiscal Court is required to make monthly payments of \$573. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended	
June 30	Amount
2023	\$ 6,871
2024	4,482
	<u>\$ 11,353</u>

27. 2020 Ford F-150

On February 12, 2020, the Marshall County Fiscal Court entered into a five-year lease agreement as lessee for the use of a 2020 Ford F-150. An initial lease liability was recorded in the amount of \$30,227 during the then current fiscal year. As of June 30, 2022, the value of the lease liability was \$15,808. The Marshall County Fiscal Court is required to make monthly payments of \$504. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended	
June 30	Amount
2023	\$ 6,045
2024	6,045
2025	3,718
	<u>\$ 15,808</u>

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 5. Leases (Continued)

B. Lessee (Continued)

28. 2020 Ford F-150

On March 2, 2020, the Marshall County Fiscal Court entered into a five-year lease agreement as lessee for the use of a 2020 Ford F-150. An initial lease liability was recorded in the amount of \$33,422 during the then current fiscal year. As of June 30, 2022, the value of the lease liability was \$17,843. The Marshall County Fiscal Court is required to make monthly payments of \$557. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended	
June 30	Amount
2023	\$ 6,684
2024	6,684
2025	4,475
	<u>\$ 17,843</u>

29. 2019 Dodge Charger

On March 9, 2020, the Marshall County Fiscal Court entered into a four-year lease agreement as lessee for the use of a 2019 Dodge Charger. An initial lease liability was recorded in the amount of \$27,163 during the then current fiscal year. As of June 30, 2022, the value of the lease liability was \$11,464. The Marshall County Fiscal Court is required to make monthly payments of \$566. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended	
June 30	Amount
2023	\$ 6,791
2024	4,673
	<u>\$ 11,464</u>

30. 2020 Ford F-350

On March 11, 2020, the Marshall County Fiscal Court entered into a five-year lease agreement as lessee for the use of a 2020 Ford F-350. An initial lease liability was recorded in the amount of \$50,525 during the then current fiscal year. As of June 30, 2022, the value of the lease liability was \$27,218. The Marshall County Fiscal Court is required to make monthly payments of \$842. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended	
June 30	Amount
2023	\$ 10,105
2024	10,105
2025	7,008
	<u>\$ 27,218</u>

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 5. Leases (Continued)

B. Lessee (Continued)

31. 2020 Ford Transit-150 Cargo

On March 23, 2020, the Marshall County Fiscal Court entered into a five-year lease agreement as lessee for the use of a 2020 Ford Transit-150 Cargo. An initial lease liability was recorded in the amount of \$31,999 during the then current fiscal year. As of June 30, 2022, the value of the lease liability was \$17,444. The Marshall County Fiscal Court is required to make monthly payments of \$533. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended	
June 30	Amount
2023	\$ 6,400
2024	6,400
2025	4,644
	<u>\$ 17,444</u>

32. 2019 Dodge Charger

On September 9, 2020, the Marshall County Fiscal Court entered into a four-year lease agreement as lessee for the use of a 2019 Dodge Charger. An initial lease liability was recorded in the amount of \$26,665 during the then current fiscal year. As of June 30, 2022, the value of the lease liability was \$14,592. The Marshall County Fiscal Court is required to make monthly payments of \$556. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended	
June 30	Amount
2023	\$ 6,666
2024	6,666
2026	1,260
	<u>\$ 14,592</u>

33. 2019 Dodge Charger

On September 30, 2020, the Marshall County Fiscal Court entered into a four-year lease agreement as lessee for the use of a 2019 Dodge Charger. An initial lease liability was recorded in the amount of \$26,665 during the then current fiscal year. As of June 30, 2022, the value of the lease liability was \$14,981. The Marshall County Fiscal Court is required to make monthly payments of \$556. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended	
June 30	Amount
2023	\$ 6,666
2024	6,666
2025	1,649
	<u>\$ 14,981</u>

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 5. Leases (Continued)

B. Lessee (Continued)

34. 2019 Dodge Charger

On October 31, 2020, the Marshall County Fiscal Court entered into a four-year lease agreement as lessee for the use of a 2019 Dodge Charger. An initial lease liability was recorded in the amount of \$26,672 during the then current fiscal year. As of June 30, 2022, the value of the lease liability was \$15,541. The Marshall County Fiscal Court is required to make monthly payments of \$556. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended	
June 30	Amount
2023	\$ 6,668
2024	6,668
2025	2,205
	<u>\$ 15,541</u>

35. 2018 Dodge Ram 2500

On January 25, 2021, the Marshall County Fiscal Court entered into a three-year lease agreement as lessee for the use of a 2018 Dodge Ram 2500. An initial lease liability was recorded in the amount of \$12,610 during the then current fiscal year. As of June 30, 2022, the value of the lease liability was \$6,655. The Marshall County Fiscal Court is required to make monthly payments of \$350. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended	
June 30	Amount
2023	\$ 4,203
2024	2,452
	<u>\$ 6,655</u>

36. 2018 Dodge Ram 2500

On January 25, 2021, the Marshall County Fiscal Court entered into a three-year lease agreement as lessee for the use of a 2018 Dodge Ram 2500. An initial lease liability was recorded in the amount of \$12,610 during the then current fiscal year. As of June 30, 2022, the value of the lease liability was \$6,655. The Marshall County Fiscal Court is required to make monthly payments of \$350. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended	
June 30	Amount
2023	\$ 4,203
2024	2,452
	<u>\$ 6,655</u>

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 5. Leases (Continued)

B. Lessee (Continued)

37. 2021 Ford F-150

On August 5, 2021, the Marshall County Fiscal Court entered into a five-year lease agreement as lessee for the use of a 2021 Ford F-150. An initial lease liability was recorded in the amount of \$26,546 during the then current fiscal year. As of June 30, 2022, the value of the lease liability was \$21,736. The Marshall County Fiscal Court is required to make monthly payments of \$498. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended	
June 30	Amount
2023	\$ 5,309
2024	5,309
2025	5,309
2027	5,309
2028	500
	<u>\$ 21,736</u>

38. 2021 Ford F-150

On October 11, 2021, the Marshall County Fiscal Court entered into a five-year lease agreement as lessee for the use of a 2021 Ford F-150. An initial lease liability was recorded in the amount of \$28,762 during the then current fiscal year. As of June 30, 2022, the value of the lease liability was \$24,927. The Marshall County Fiscal Court is required to make monthly payments of \$533. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended	
June 30	Amount
2023	\$ 5,752
2024	5,753
2025	5,752
2026	5,753
2027	1,917
	<u>\$ 24,927</u>

39. 2021 Dodge Durango

On October 19, 2021, the Marshall County Fiscal Court entered into a four-year lease agreement as lessee for the use of a 2021 Dodge Durango. An initial lease liability was recorded in the amount of \$29,124 during the then current fiscal year. As of June 30, 2022, the value of the lease liability was \$24,016. The Marshall County Fiscal Court is required to make monthly payments of \$607. The remaining lease payments as of June 30, 2022, were as follows:

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 5. Leases (Continued)

B. Lessee (Continued)

39. 2021 Dodge Durango (Continued)

Fiscal Year Ended June 30	Amount
2023	\$ 7,281
2024	7,281
2025	7,281
2026	2,173
	<u>\$ 24,016</u>

40. 2021 Ford F-150

On October 25, 2021, the Marshall County Fiscal Court entered into a five-year lease agreement as lessee for the use of a 2021 Ford F-150. An initial lease liability was recorded in the amount of \$30,077 during the then current fiscal year. As of June 30, 2022, the value of the lease liability was \$26,066. The Marshall County Fiscal Court is required to make monthly payments of \$537. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended June 30	Amount
2023	\$ 6,015
2024	6,015
2025	6,015
2026	6,015
2027	2,006
	<u>\$ 26,066</u>

41. 2021 Ford F-150

On October 25, 2021, the Marshall County Fiscal Court entered into a five-year lease agreement as lessee for the use of a 2021 Ford F-150. An initial lease liability was recorded in the amount of \$29,857 during the then current fiscal year. As of June 30, 2022, the value of the lease liability was \$25,876. The Marshall County Fiscal Court is required to make monthly payments of \$498. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended June 30	Amount
2023	\$ 5,971
2024	5,972
2025	5,971
2026	5,972
2027	1,990
	<u>\$ 25,876</u>

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 5. Leases (Continued)

B. Lessee (Continued)

42. 2021 Dodge Durango

On November 22, 2021, the Marshall County Fiscal Court entered into a four-year lease agreement as lessee for the use of a 2021 Dodge Durango. An initial lease liability was recorded in the amount of \$32,095 during the then current fiscal year. As of June 30, 2022, the value of the lease liability was \$27,214. The Marshall County Fiscal Court is required to make monthly payments of \$669. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended June 30	Amount
2023	\$ 8,024
2024	8,024
2025	8,024
2026	3,142
	<u>\$ 27,214</u>

43. 2022 Dodge Ram 5500

On December 20, 2021, the Marshall County Fiscal Court entered into a five-year lease agreement as lessee for the use of a 2022 Dodge Ram 5500. An initial lease liability was recorded in the amount of \$72,280 during the then current fiscal year. As of June 30, 2022, the value of the lease liability was \$64,586. The Marshall County Fiscal Court is required to make monthly payments of \$1,205. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended June 30	Amount
2023	\$ 14,456
2024	14,456
2025	14,456
2026	14,456
2027	6,762
	<u>\$ 64,586</u>

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 5. Leases (Continued)

B. Lessee (Continued)

44. 2022 Nissan Altima

On January 24, 2022, the Marshall County Fiscal Court entered into a four-year lease agreement as lessee for the use of a 2022 Nissan Altima. An initial lease liability was recorded in the amount of \$16,483 during the then current fiscal year. As of June 30, 2022, the value of the lease liability was \$14,677. The Marshall County Fiscal Court is required to make monthly payments of \$343. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended	
June 30	Amount
2023	\$ 4,121
2024	4,121
2025	4,120
2026	2,315
	<u>\$ 14,677</u>

45. 2021 Ford F-150

On January 25, 2022, the Marshall County Fiscal Court entered into a five-year lease agreement as lessee for the use of a 2021 Ford F-150. An initial lease liability was recorded in the amount of \$31,778 during the then current fiscal year. As of June 30, 2022, the value of the lease liability was \$29,010. The Marshall County Fiscal Court is required to make monthly payments of \$498. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended	
June 30	Amount
2023	\$ 6,356
2024	6,355
2025	6,356
2026	6,355
2027	3,588
	<u>\$ 29,010</u>

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 5. Leases (Continued)

B. Lessee (Continued)

46. 2022 Ford Police Interceptor

On January 26, 2022, the Marshall County Fiscal Court entered into a four-year lease agreement as lessee for the use of a 2022 Ford Police Interceptor. An initial lease liability was recorded in the amount of \$34,021 during the then current fiscal year. As of June 30, 2022, the value of the lease liability was \$30,340. The Marshall County Fiscal Court is required to make monthly payments of \$709. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended June 30	Amount
2023	\$ 8,505
2024	8,505
2025	8,505
2026	4,825
	<u>\$ 30,340</u>

47. 2021 Dodge Charger

On February 15, 2022, the Marshall County Fiscal Court entered into a four-year lease agreement as lessee for the use of a 2021 Dodge Charger. An initial lease liability was recorded in the amount of \$23,666 during the then current fiscal year. As of June 30, 2022, the value of the lease liability was \$21,447. The Marshall County Fiscal Court is required to make monthly payments of \$493. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended June 30	Amount
2023	\$ 5,916
2024	5,917
2025	5,916
2026	3,698
	<u>\$ 21,447</u>

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 5. Leases (Continued)

B. Lessee (Continued)

48. 2021 Dodge Charger

On February 15, 2022, the Marshall County Fiscal Court entered into a four-year lease agreement as lessee for the use of a 2021 Dodge Charger. An initial lease liability was recorded in the amount of \$23,857 during the then current fiscal year. As of June 30, 2022, the value of the lease liability was \$21,620. The Marshall County Fiscal Court is required to make monthly payments of \$497. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended	
June 30	Amount
2023	\$ 5,964
2024	5,964
2025	5,964
2026	3,728
	<u>\$ 21,620</u>

49. 2022 Dodge Ram 2500

On June 30, 2022, the Marshall County Fiscal Court entered into a five-year lease agreement as lessee for the use of a 2022 Dodge Ram 2500. An initial lease liability was recorded in the amount of \$67,611 during the then current fiscal year. As of June 30, 2022, the value of the lease liability was \$67,611. The Marshall County Fiscal Court is required to make monthly payments of \$1,127. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended	
June 30	Amount
2023	\$ 13,560
2024	13,522
2025	13,522
2026	13,522
2027	13,485
	<u>\$ 67,611</u>

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 6. Short-term Debt

A. Direct Borrowings – Community Financial Services Bank Line of Credit

On January 10, 2022, the Marshall County Fiscal Court entered into a line of credit agreement with Community Financial Services Bank for \$15,000,000 for the purpose of providing financing for the county to clean up debris after a tornado. Interest, which is calculated at a fixed rate of 2.275 percent is monthly and outstanding principal is due by June 30, 2022. No event of default is outlined in the agreement. The balance of this as of June 30, 2022, was \$6,341,820.

B. Changes In Short-term Debt

Short-term Debt activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$	\$ 6,633,264	\$ 291,444	\$ 6,341,820	\$ 6,341,820
Total Short-term Debt	\$ 0	\$ 6,633,264	\$ 291,444	\$ 6,341,820	\$ 6,341,820

Note 7. Long-term Debt

A. Direct Borrowings and 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 in the amount of \$320,000 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 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 as of June 30, 2022, was \$0.

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 7. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

2. Financing Obligation – Kentucky Infrastructure Authority Loan

On October 1, 2018, the 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 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, 2040. Whenever any event of default occurs and is continuing, the authority may without any further demand or notice, take one or any combination of the following remedial steps: (A) declare all payments due hereunder, as set forth in the schedule of payments to be immediately due and payable, (B) exercise all the rights and remedies of the authority set forth in the act, (C) take whatever action at law or in equity may appear necessary or desirable to enforce its rights under this assistance agreement and (D) submit a formal referral to the appropriate federal agency, as required by the federal agreement. The principal balance as of June 30, 2022, was \$2,511,844. Future principal and interest payments are as follows:

Fiscal Year Ended June 30	Principal	Interest
2023	\$ 119,847	\$ 48,399
2024	121,953	46,052
2025	124,097	43,664
2026	126,278	41,233
2027	128,498	38,760
2028-2032	677,171	155,153
2033-2037	738,812	86,467
2038-2040	475,188	16,333
Totals	<u>\$ 2,511,844</u>	<u>\$ 476,061</u>

3. Financing Obligation – 2017 Gradall Equipment

On January 2, 2018, the Marshall County Fiscal Court entered into an agreement with US Bancorp Government Leasing and Finance for the purpose of purchasing a 2017 Gradall XL41DOV. The Marshall County Fiscal Court entered into the purchase agreement in an amount of \$365,540. Principal and interest payments are due annually beginning January 2, 2019. In the event of default, all payments may be declared due, or the property schedule will be terminated, and the fiscal court will lose possession of the property. The principal balance as of June 30, 2022 was \$167,915. Future principal and interest payments are as follows:

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 7. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

3. Financing Obligation – 2017 Gradall Equipment (Continued)

Fiscal Year Ended June 30	Principal	Interest
2023	\$ 53,983	\$ 6,112
2024	55,948	4,147
2025	57,984	2,111
Totals	<u>\$ 167,915</u>	<u>\$ 12,370</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, 2022 was \$0. 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, 2022, was \$6,745,000. Future principal and interest requirements are:

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 7. Long-term Debt (Continued)

B. Other Debt (Continued)

2. General Obligation Bonds, Series 2019 (Continued)

Fiscal Year Ended June 30	Principal	Interest
2023	\$ 310,000	\$ 150,240
2024	315,000	143,990
2025	325,000	137,590
2026	330,000	131,040
2027	335,000	124,390
2028-2032	1,795,000	513,424
2033-2037	2,005,000	297,545
2038-2040	1,330,000	52,981
Totals	<u>\$ 6,745,000</u>	<u>\$ 1,551,200</u>

C. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2022, was as follows:

	Beginning Balance (Restated)	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 3,099,622	\$	\$ 419,863	\$ 2,679,759	\$ 173,830
Other Debt	<u>7,550,000</u>		<u>805,000</u>	<u>6,745,000</u>	<u>310,000</u>
Total Long-term Debt	<u>\$ 10,649,622</u>	<u>\$ 0</u>	<u>\$ 1,224,863</u>	<u>\$ 9,424,759</u>	<u>\$ 483,830</u>

The beginning balance was restated and increased by \$220,001. This is due to the direct borrowing for the 2017 Gradall equipment being excluded from the prior year audit's long-term debt ending balance.

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 7. Long-term Debt (Continued)

D. Aggregate Debt Schedule

The amount of required principal and interest payments on long-term obligations at June 30, 2022, were as follows:

Fiscal Year Ended June 30	Other Debt		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2023	\$ 310,000	\$ 150,240	\$ 173,830	\$ 54,511
2024	315,000	143,990	177,901	50,199
2025	325,000	137,590	182,081	45,775
2026	330,000	131,040	126,278	41,233
2027	335,000	124,390	128,498	38,760
2028-2032	1,795,000	513,424	677,171	155,153
2033-2037	2,005,000	297,545	738,812	86,467
2038-2040	1,330,000	52,981	475,188	16,333
Totals	<u>\$ 6,745,000</u>	<u>\$ 1,551,200</u>	<u>\$ 2,679,759</u>	<u>\$ 488,431</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 (Ky. Ret. Sys.). This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Effective April 1, 2021, the Kentucky Public Pension Authority (KPPA) was created by KRS 61.505 to provide staffing and daily administrative needs for CERS and Ky. Ret. Sys. The CERS nine (9) member board of trustees is responsible for the governance of the CERS pension and insurance plans.

The county's contribution for FY 2020 was \$1,920,875, FY 2021 was \$1,789,009, and FY 2022 was \$2,045,331.

Nonhazardous

Nonhazardous covered employees are required to contribute five percent (5%) 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: five percent (5%) will go to the member's account and one percent (1%) will go to the Ky. Ret. Sys. insurance fund.

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(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 five percent (5%) of their annual creditable compensation. Nonhazardous members also contribute one percent (1%) 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 Ky. Ret. Sys. 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 four percent (4%) 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 26.95 percent.

Hazardous

Hazardous covered employees are required to contribute eight percent (8%) of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008, are required to contribute nine percent (9%) of their salary to be allocated as follows: eight percent (8%) will go to the member's account and one percent (1%) will go to the Ky. Ret. Sys. 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 eight percent (8%) of their annual creditable compensation and also contribute one percent (1%) 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 44.33 percent.

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(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 78.5536.

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

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

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

Tier 2 member benefits are covered by KRS 78.5536. Tier 3 members are not covered by the same provisions.

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(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 Ky. Ret. Sys. benefits. During the 2008 Special Session, the General Assembly determined that each July beginning in 2009, retirees who have been receiving a retirement allowance for at least 12 months will receive an automatic COLA of 1.5 percent. The COLA is not a guaranteed benefit. If a retiree has been receiving a benefit for less than 12 months, and a COLA is provided, it will be prorated based on the number of months the recipient has been receiving a benefit.

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

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

F. Death Benefit

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

Ky. Ret. Sys. Annual Financial Report and Proportionate Share Audit Report

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

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

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(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, or by telephone at (502) 573-7925.

Note 10. 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 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 balance of the plan as of June 30, 2022, was \$53,205.

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. Insurance

For the fiscal year ended June 30, 2022, 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.

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 13. Payroll Revolving Account

The reconciled balance of the payroll revolving account as of June 30, 2022, in the amount of \$134,319, was added to the general fund cash balance for financial reporting purposes.

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, 2022, conduit debt has been issued but the amount currently outstanding is not reasonably determinable.

Note 15. Commitments and 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 16. Prior Period Adjustment

Financial statement beginning balances were restated as follows:

	General Fund	Transient Room Tax Fund	Emergency 911 Fund	Federal Asset Forfeiture Fund	Sheriff Fund
Ending Cash Balance - Prior Year Audit	\$ 5,894,401	\$	\$ 1,330,284	\$	\$
Adjustments:					
To Split Out Sheriff Fund	(17,200)				17,200
To Add Federal Asset Forfeiture Fund				4,358	
To Add Transient Room Tax Fund		170			
To Add Prior Year Outstanding Check			(894)		
Beginning Fund Balance - Restated	<u>\$ 5,877,201</u>	<u>\$ 170</u>	<u>\$ 1,329,390</u>	<u>\$ 4,358</u>	<u>\$ 17,200</u>

THIS PAGE LEFT BLANK INTENTIONALLY

MARSHALL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2022

THIS PAGE LEFT BLANK INTENTIONALLY

MARSHALL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2022

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 2,417,500	\$ 2,417,500	\$ 2,974,257	\$ 556,757
In Lieu Tax Payments	890,347	890,347	716,581	(173,766)
Excess Fees		153,008	153,008	
Licenses and Permits	78,000	78,000	61,259	(16,741)
Intergovernmental	688,441	1,036,106	3,876,914	2,840,808
Charges for Services	24,000	24,000	24,000	
Miscellaneous	118,176	305,418	727,037	421,619
Interest	12,000	12,000	40,917	28,917
Total Receipts	<u>4,228,464</u>	<u>4,916,379</u>	<u>8,573,973</u>	<u>3,657,594</u>
DISBURSEMENTS				
General Government	4,326,399	5,860,216	4,685,699	1,174,517
Protection to Persons and Property	631,133	978,260	699,598	278,662
General Health and Sanitation	374,500	438,896	438,662	234
Social Services	7,400	9,100	7,076	2,024
Recreation and Culture	1,154,095	1,226,780	1,000,552	226,228
Debt Service	666,465	957,899	1,148,956	(191,057)
Administration	4,197,473	2,284,962	890,142	1,394,820
Total Disbursements	<u>11,357,465</u>	<u>11,756,113</u>	<u>8,870,685</u>	<u>2,885,428</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(7,129,001)</u>	<u>(6,839,734)</u>	<u>(296,712)</u>	<u>6,543,022</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	2,786,297	2,970,480	3,015,448	44,968
Transfers To Other Funds	(3,500)	(3,500)	(610,425)	(606,925)
Total Other Adjustments to Cash (Uses)	<u>2,782,797</u>	<u>2,966,980</u>	<u>2,405,023</u>	<u>(561,957)</u>
Net Change in Fund Balance	(4,346,204)	(3,872,754)	2,108,311	5,981,065
Fund Balance - Beginning (Restated)	<u>4,346,204</u>	<u>4,371,204</u>	<u>5,877,201</u>	<u>1,505,997</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 498,450</u>	<u>\$ 7,985,512</u>	<u>\$ 7,487,062</u>

MARSHALL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 60,000	\$ 125,110	\$ 169,025	\$ 43,915
Intergovernmental	1,618,135	1,849,733	1,895,965	46,232
Charges for Services			2,218	2,218
Miscellaneous		7,400	107,696	100,296
Interest	7,000	7,000	8,488	1,488
Total Receipts	1,685,135	1,989,243	2,183,392	194,149
DISBURSEMENTS				
Roads	3,373,100	3,173,396	2,743,239	430,157
Administration	4,500	533,312	532,809	503
Total Disbursements	3,377,600	3,706,708	3,276,048	430,660
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,692,465)	(1,717,465)	(1,092,656)	624,809
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,192,465	1,192,465	1,188,965	(3,500)
Transfers To Other Funds		(67,810)		67,810
Total Other Adjustments to Cash (Uses)	1,192,465	1,124,655	1,188,965	64,310
Net Change in Fund Balance	(500,000)	(592,810)	96,309	689,119
Fund Balance - Beginning	500,000	592,810	680,530	87,720
Fund Balance - Ending	\$ 0	\$ 0	\$ 776,839	\$ 776,839

MARSHALL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,254,500	\$ 1,355,026	\$ 1,510,423	\$ 155,397
Charges for Services	4,000	4,000	3,675	(325)
Miscellaneous	50,500	50,500	68,371	17,871
Interest	1,000	1,000	3,176	2,176
Total Receipts	<u>1,310,000</u>	<u>1,410,526</u>	<u>1,585,645</u>	<u>175,119</u>
DISBURSEMENTS				
Protection to Persons and Property	2,499,755	1,800,673	1,550,608	250,065
Administration		704,692	704,692	
Total Disbursements	<u>2,499,755</u>	<u>2,505,365</u>	<u>2,255,300</u>	<u>250,065</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,189,755)</u>	<u>(1,094,839)</u>	<u>(669,655)</u>	<u>425,184</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,189,755	1,189,755	1,195,365	5,610
Transfers To Other Funds		(100,526)	(100,526)	
Total Other Adjustments to Cash (Uses)	<u>1,189,755</u>	<u>1,089,229</u>	<u>1,094,839</u>	<u>5,610</u>
Net Change in Fund Balance		(5,610)	425,184	430,794
Fund Balance - Beginning			119,897	119,897
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (5,610)</u>	<u>\$ 545,081</u>	<u>\$ 550,691</u>

MARSHALL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

FEDERAL GRANT FUND			
	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original	Final	
RECEIPTS			
Intergovernmental	\$	\$ 15,848	\$ 15,848
Interest			219
Total Receipts		15,848	16,067
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		15,848	16,067
Other Adjustments to Cash (Uses)			
Transfers To Other Funds		(15,848)	(15,848)
Total Other Adjustments to Cash (Uses)		(15,848)	(15,848)
Net Change in Fund Balance			219
Fund Balance - Beginning			9,600
Fund Balance - Ending	\$ 0	\$ 0	\$ 9,819

MARSHALL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

TORNADO DEBRIS REMOVAL FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
DISBURSEMENTS				
Protection to Persons and Property	\$	\$ 15,000,000	\$ 6,633,264	\$ 8,366,736
Total Disbursements		15,000,000	6,633,264	8,366,736
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(15,000,000)	(6,633,264)	8,366,736
Other Adjustments to Cash (Uses)				
Governmental Leasing Act Receipts		15,000,000	6,633,264	(8,366,736)
Total Other Adjustments to Cash (Uses)		15,000,000	6,633,264	(8,366,736)
Net Change in Fund Balance				
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 0	\$ 0

MARSHALL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

	E911 FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 40,000	\$ 40,000	\$ 32,725	\$ (7,275)
Intergovernmental	212,000	212,000	220,399	8,399
Miscellaneous		1,000	1,276	276
Interest			5,565	5,565
Total Receipts	252,000	253,000	259,965	6,965
DISBURSEMENTS				
Protection to Persons and Property	760,510	1,030,988	2,314,511	(1,283,523)
Administration	278,100	537,513	259,413	278,100
Total Disbursements	1,038,610	1,568,501	2,573,924	(1,005,423)
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(786,610)	(1,315,501)	(2,313,959)	(998,458)
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	652,610	652,610	1,166,501	513,891
Transfers To Other Funds			(39,223)	(39,223)
Total Other Adjustments to Cash (Uses)	652,610	652,610	1,127,278	474,668
Net Change in Fund Balance	(134,000)	(662,891)	(1,186,681)	(523,790)
Fund Balance - Beginning (Restated)	134,000	173,223	1,329,390	1,156,167
Fund Balance - Ending	\$ 0	\$ (489,668)	\$ 142,709	\$ 632,377

MARSHALL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

OCCUPATIONAL ADMINISTRATOR TAX FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 5,171,007	\$ 5,171,007	\$ 6,672,361	\$ 1,501,354
Interest	25,000	25,000	25,643	643
Total Receipts	5,196,007	5,196,007	6,698,004	1,501,997
DISBURSEMENTS				
General Government	60,000	41,755	21,851	19,904
Administration	200,000	112,745		112,745
Total Disbursements	260,000	154,500	21,851	132,649
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	4,936,007	5,041,507	6,676,153	1,634,646
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			50,300	50,300
Transfers To Other Funds	(7,567,327)	(7,567,327)	(7,635,872)	(68,545)
Total Other Adjustments to Cash (Uses)	(7,567,327)	(7,567,327)	(7,585,572)	(18,245)
Net Change in Fund Balance	(2,631,320)	(2,525,820)	(909,419)	1,616,401
Fund Balance - Beginning	2,631,320	2,631,320	3,498,981	867,661
Fund Balance - Ending	\$ 0	\$ 105,500	\$ 2,589,562	\$ 2,484,062

MARSHALL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

ANIMAL SHELTER DONATION FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$	\$ 19,938	\$ 25,113	\$ 5,175
Total Receipts		19,938	25,113	5,175
DISBURSEMENTS				
General Health and Sanitation	15,000	34,938	18,406	16,532
Total Disbursements	15,000	34,938	18,406	16,532
Net Change in Fund Balance	(15,000)	(15,000)	6,707	21,707
Fund Balance - Beginning	15,000	15,000	24,932	9,932
Fund Balance - Ending	\$ 0	\$ 0	\$ 31,639	\$ 31,639

MARSHALL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

SHERIFF FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 1,800,000	\$ 1,800,000	\$ 2,076,045	\$ 276,045
Miscellaneous			500	500
Total Receipts	1,800,000	1,800,000	2,076,545	276,545
DISBURSEMENTS				
General Government	3,952,000	4,074,404	4,019,368	55,036
Total Disbursements	3,952,000	4,074,404	4,019,368	55,036
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(2,152,000)	(2,274,404)	(1,942,823)	331,581
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	2,134,800	2,134,800	2,148,534	13,734
Total Other Adjustments to Cash (Uses)	2,134,800	2,134,800	2,148,534	13,734
Net Change in Fund Balance	(17,200)	(139,604)	205,711	345,315
Fund Balance - Beginning	17,200	17,200	17,200	
Fund Balance - Ending	\$ 0	\$ (122,404)	\$ 222,911	\$ 345,315

MARSHALL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

ALCOHOL BEVERAGE CONTROL FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 270,000	\$ 270,000	\$ 343,522	\$ 73,522
Licenses and Permits	28,000	28,000	30,250	2,250
Interest	500	500	4,106	3,606
Total Receipts	298,500	298,500	377,878	79,378
DISBURSEMENTS				
General Government	13,400	13,400	12,263	1,137
Total Disbursements	13,400	13,400	12,263	1,137
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	285,100	285,100	365,615	80,515
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(385,100)	(385,100)	(385,100)	
Total Other Adjustments to Cash (Uses)	(385,100)	(385,100)	(385,100)	
Net Change in Fund Balance	(100,000)	(100,000)	(19,485)	80,515
Fund Balance - Beginning	100,000	100,000	218,393	118,393
Fund Balance - Ending	\$ 0	\$ 0	\$ 198,908	\$ 198,908

MARSHALL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

BUILDING INSPECTION FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Licenses and Permits	\$ 144,900	\$ 144,900	\$ 192,788	\$ 47,888
Interest	100	100	879	779
Total Receipts	145,000	145,000	193,667	48,667
DISBURSEMENTS				
Protection to Persons and Property	145,500	198,787	167,486	31,301
Administration	42,700	13,700		13,700
Total Disbursements	188,200	212,487	167,486	45,001
Net Change in Fund Balance	(43,200)	(67,487)	26,181	93,668
Fund Balance - Beginning	43,200	67,487	67,488	1
Fund Balance - Ending	\$ 0	\$ 0	\$ 93,669	\$ 93,669

MARSHALL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

AMERICAN RESCUE PLAN ACT FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 6,040,810	\$ 6,054,544	\$ 3,025,083	\$ (3,029,461)
Miscellaneous			12,896	12,896
Interest			26,404	26,404
Total Receipts	6,040,810	6,054,544	3,064,383	(2,990,161)
DISBURSEMENTS				
Capital Projects		28,240	28,240	
Administration	6,040,810	6,012,570		6,012,570
Total Disbursements	6,040,810	6,040,810	28,240	6,012,570
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		13,734	3,036,143	3,022,409
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(18,743)	(18,743)
Total Other Adjustments to Cash (Uses)			(18,743)	(18,743)
Net Change in Fund Balance		13,734	3,017,400	3,003,666
Fund Balance - Beginning			522	522
Fund Balance - Ending	\$ 0	\$ 13,734	\$ 3,017,922	\$ 3,004,188

MARSHALL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

CDBG FUND			
	Budgeted Amounts		Variance with
	Original	Final	Actual Amounts, (Budgetary Basis) Final Budget Positive (Negative)
RECEIPTS			
Intergovernmental	\$	\$ 200,000	\$ (200,000)
Total Receipts		200,000	(200,000)
DISBURSEMENTS			
General Government		200,000	200,000
Total Disbursements		200,000	200,000
Net Change in Fund Balance			
Fund Balance - Beginning			
Fund Balance - Ending	\$ 0	\$ 0	\$ 0

MARSHALL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

PUBLIC PROPERTIES CORPORATION				
JUSTICE CENTER CAPITAL PROJECTS FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
DISBURSEMENTS				
Debt Service	\$	\$ 8	\$	\$ 8
Total Disbursements		8		8
Net Change in Fund Balance		(8)		8
Fund Balance - Beginning		8	8	
Fund Balance - Ending	\$ 0	\$ 0	\$ 8	\$ 8

MARSHALL COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2022

Note 1. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting according to the laws of Kentucky as required by the state local finance officer, 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.

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

The *Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis* differs from the *Budgetary Comparison Schedule* for the general fund by \$35,888 due to the payroll revolving account's balance being added to the general fund.

Other Adjustments to Cash (Uses) - Budgetary Basis	\$ 2,405,023
To adjust for the change in the payroll revolving account	<u>35,888</u>
Total Other Adjustments to Cash (Uses) - Regulatory Basis	<u>\$ 2,440,911</u>
 Fund Balance - Ending - Budgetary Basis	 \$ 7,985,512
To adjust for the change in the payroll revolving account	<u>35,888</u>
Total Fund Balance - Ending - Regulatory Basis	<u>\$ 8,021,400</u>

Note 3. Excess of Disbursements Over Appropriations

The general fund, debt service line-item, exceeded budgeted appropriations by \$191,057.

The E-911 fund, protection to persons and property line-item, exceeded budgeted appropriations by \$1,283,523.

THIS PAGE LEFT BLANK INTENTIONALLY

MARSHALL COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2022

THIS PAGE LEFT BLANK INTENTIONALLY

MARSHALL COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity's Identifying Number	Provided to Subrecipient	Total Federal Expenditures
<u>U. S. Department of the Treasury</u>				
<i>Direct Program</i>				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027		\$	\$ 28,240
Total U.S. Department of the Treasury				28,240
<u>Environmental Protection Agency</u>				
<i>Passed-Through Kentucky Division of Water</i>				
Performance Partnership Grants	66.605	PPG-BG-00D21418	\$	\$ 51,641
Total Environmental Protection Agency				51,641
<u>U. S. Department of Homeland Security</u>				
<i>Passed-Through Kentucky Department of Emergency Management</i>				
Emergency Management Performance Grants	97.042	095-2300000859	\$	\$ 40,830
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	095-2200000870		6,198,432
Total U.S. Department of Homeland Security				6,239,262
Total Expenditures of Federal Awards			\$ 0	\$ 6,319,143

The accompanying notes are an integral part of this schedule.

MARSHALL COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2022

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, 2022. 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 and has not elected to use the ten percent (10%) de minimis indirect cost rate allowed under the Uniform Guidance.

MARSHALL COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2022

THIS PAGE LEFT BLANK INTENTIONALLY

MARSHALL COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2022

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Construction In Progress	\$ 2,378,531	\$ 174,394	\$ 2,378,531	\$ 174,394
Land and Land Improvement	2,168,485		102,115	2,066,370
Buildings and Building Improvement	15,685,188	2,387,499	23,125	18,049,562
Vehicles and Equipment	9,376,669	2,024,161	581,676	10,819,154
Infrastructure	30,006,398	1,978,912	497,673	31,487,637
 Total Capital Assets	 <u>\$ 59,615,271</u>	 <u>\$ 6,564,966</u>	 <u>\$ 3,583,120</u>	 <u>\$ 62,597,117</u>

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

June 30, 2022

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

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

THIS PAGE LEFT BLANK INTENTIONALLY



ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

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

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

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, 2022, 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 April 29, 2024.

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 a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the 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 have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2022-001, 2022-002, 2022-004, and 2022-005 to be material weaknesses.



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

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the 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 2022-001, 2022-002, and 2022-003.

Views of Responsible Official 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,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

April 29, 2024

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

THIS PAGE LEFT BLANK INTENTIONALLY



ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Marshall County Fiscal Court's compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

In our opinion, Marshall County Fiscal Court complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Marshall County Fiscal Court and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Marshall County Fiscal Court's compliance with the compliance requirements referred to above.



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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Marshall County Fiscal Court's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Marshall County Fiscal Court's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Marshall County Fiscal Court's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Marshall County Fiscal Court's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Marshall County Fiscal Court's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Marshall County Fiscal Court's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-006 to be a material weakness.

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

Report on Internal Control Over Compliance (Continued)

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Marshall County Fiscal Court's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. Marshall County Fiscal Court's response was not subjected to the other 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 results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

April 29, 2024

THIS PAGE LEFT BLANK INTENTIONALLY

MARSHALL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2022

THIS PAGE LEFT BLANK INTENTIONALLY

MARSHALL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2022

Section I: Summary of Auditor's Results

Financial Statement

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

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

Are any material weaknesses identified?	<input 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: Unmodified		
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>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$750,000</u>	
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, 2022
(Continued)

Section II: Financial Statement Findings

2022-001 Marshall County's Fourth Quarter Financial Statement Was Materially Misstated Due To Inadequate Internal Controls Over Financial Reporting

The Marshall County Fiscal Court failed to implement adequate internal controls over financial reporting. The fiscal court's fourth quarter financial statement submitted to the Department for Local Government was materially misstated.

This internal control issue is due to the fiscal court not segregating incompatible duties as well as not implementing compensating controls to offset this deficiency. The Marshall County treasurer is required to perform the majority of tasks related to financial reporting, budgeting, and record keeping. Adequate internal controls were not in place to ensure financial reporting is accurate.

Due to the lack of adequate oversight, the following reporting errors were undetected by the fiscal court:

- Budgeted amounts reported on the fourth quarter financial report were materially inaccurate. The original budget column on the fourth quarter financial statement did not match the budget passed by fiscal court. The general fund had a line-item overstated by \$6,000. The E-911 fund had a line item overstated by \$1,472,644 and a line item understated by \$278,100.
- The E-911 fund's 'Protection to Persons and Property' line-item budget was overspent by \$1,283,523, and the E-911 fund's 'Total Budgeted Disbursements' were overspent by \$1,005,423.
- A financing agreement for the construction of the arts commission building was paid off during 2022 but was not recorded on the fourth quarter financial statement or receipts and disbursements ledgers. A verbal agreement was in place for the Marshall County Arts Commission to reimburse the fiscal court yearly for the debt payments. The arts commission paid off the debt directly to the lender, however, since the debt was an obligation of the county it is required to be recorded on the county's financial statement. Due to the error the county's receipts and disbursements were both understated by \$246,580. This also led to the budget's debt service line item being overspent by \$191,057.
- The fiscal court passed a transient room tax ordinance in September 2013. The ordinance requires the county treasurer to collect a tax to be used for tourism which would be distributed to the tourism board. However, ever since its inception, the tax has been collected directly by the tourism board and not the county treasurer. Therefore, the activity related to the collection and distribution of the tourism tax has not been reported in the county's financial reports. For the 2022 fiscal year, the fourth quarter financial statement was understated by \$371,253 for transient room tax receipts and transient room tax disbursements were understated by \$363,982. This fund was also not budgeted as required by the Department for Local Government.
- The fiscal court did not budget the Federal Forfeiture Fund or account for it on the fourth quarter financial statement. This resulted in the financial statement being understated by \$8,384.
- The fiscal court budgeted a fund belonging to the Public Properties Corporation, which is not a part of the primary government.
- General Fund inter-account transfers totaling \$245,806 were erroneously posted as transfers between funds.
- Transfers out of \$100,526 from the Jail Fund and \$50,300 out of the Occupational Tax Administrator Fund were omitted from the fourth quarter financial statement due to being netted against transfers in.

MARSHALL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022
(Continued)

Section II: Financial Statement Findings (Continued)

2022-001 Marshall County's Fourth Quarter Financial Statement Was Materially Misstated Due To Inadequate Internal Controls Over Financial Reporting (Continued)

Strong internal controls require all financial statements to be reviewed for accuracy, and to ensure all budgeted amounts, funds, and debt obligations bearing the county's name are accounted for appropriately.

KRS 68.300 states, "[a]ny 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. No member of the fiscal court shall vote for any such illegal appropriation or claim."

County Ordinance 2013-008 states, "[e]ach year, the commission will request funds for operations from the Fiscal Court. These funds will be raised by the levying of a transient room tax. [Affected businesses], in Marshall County, Kentucky, must, on or before the twentieth (20th) day of the month following close, file a return with the Treasurer of Marshall County."

KRS 68.020(1) states, "[t]he county treasurer shall receive and receipt for all money due the county from its collecting officers or from any other person whose duty it is to pay money into the county treasury and shall disburse such money in such manner and for such purpose as may be authorized by appropriate authority of the fiscal court. He shall not disburse any money received by him for any purpose other than that for which it was collected and paid over to him, and when he pays out money, he shall take a receipt therefor. All warrants for the payment of funds from the county treasury shall be co-signed by the county treasurer and the county judge/executive. KRS 68.020(4) states, "[h]e shall keep an accurate detailed account of all money received and disbursed by him for the county and shall keep books of accounts of the financial transactions of the county in the manner required by the uniform system of accounting prescribed by the state local finance officer."

We recommend the fiscal court ensure that internal controls in place over the work performed by the finance office are appropriate and functioning properly. Financial reporting duties should be separated when possible. If segregation of duties is not feasible, compensating controls should be implemented.

County Judge/Executive's Response: This finding is during a fiscal year prior to Kevin Spraggs' term as County Judge/Executive. This response is in relation to the comment that the Fourth Quarter Financial Statement was materially misstated due to inadequate internal controls over financial reporting. Each bullet will be addressed as follows:

- *The "Original Budget" column on the 4th quarter financial statements was overstated/understated in three lines: This occurred because of a software transition wherein the new financial accounting software adds to the individual appropriation line budgets any amount needed for prior year encumbrances. Previously to beginning the integration into the new software system, the previous purchasing method did not create an opportunity for encumbrances to carry over to a new fiscal year. Meaning, this was a new issue for us. The upload method provided by DLG for uploading quarterly reports into the tracking system does not have a separate entry point to record encumbrances by expenditure line that come into the new budget year from the previous year, and they were therefore included in the original budget column. For the corrective action plan, for the future, encumbrances will not be allowed to be carried over from year to year except in unavoidable circumstances. Further, when unavoidable encumbrances are carried forward, a budget amendment will be utilized to incorporate these amounts into the New Year budget.*

MARSHALL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022
(Continued)

Section II: Financial Statement Findings (Continued)

2022-001 Marshall County's Fourth Quarter Financial Statement Was Materially Misstated Due To Inadequate Internal Controls Over Financial Reporting (Continued)

Views of Current Judge Executive and Planned Corrective Action: (Continued)

- *The E911 fund line item and total budget were overspent: This finding is directly due to the previous bullet point. Since the method of recording encumbrance amounts being carried to the new fiscal year was found to be completed in an erroneous matter, then that disallows the amounts from being included in the budget to be spent. When the prior year encumbrances were actually paid in this fiscal year, there is no longer enough budget to cover these payments because of the disallowance of the budgeting method. This finding will be corrected via the same route as the previous bullet point.*
- *The county did not record the payoff of the Arts Commission Loan: For background information, the Fiscal Court facilitated a loan for the Marshall County Arts Commission for their building. The Fiscal Court budgeted and paid for the yearly payments on this building and then billed and received reimbursed from the Arts Commission for the payment. During this fiscal year the Arts Commission elected to pay off their debt in full early. The Arts Commission paid the balance of the loan directly to the lender, and therefore the funds did not pass through the fiscal court and were not recorded on the county's financial statements. For the corrective action plan for the future, if the Court acts to take out a loan for an outside entity and that entity elects to pay off debt early, then the Treasurer will ensure that the funding either comes through the Fiscal Court's bank account and thus financials, or if the amount is paid directly to the lender, that the transaction is reflected on the county's financial statements.*
- *The Transient Room Tax was not included in the courts budget nor financial statements: The Transient Room Tax Ordinance was passed in 2013 and has never been included in the Fiscal Court's financials as it was provided directly to the Tourism Bureau. For the corrective action plan for the future, the Fiscal Court passed a Budget Amendment at the time this deficiency was relayed to the Treasurer by the audit team, the fund will be included in all future budgets/financials, and is thus, resolved.*
- *The Federal Forfeiture Fund was not included in the courts budget nor financial statements: The Federal Forfeiture Fund has never been included in the Fiscal Court's financials as it has functioned under the direction of the Sheriff. Local Government Advisors informed the Treasurer's Association on March 29, 2023 that the Federal Asset Forfeiture Accounts were to be included in the county budget. For the corrective action plan for the future, the Fiscal Court passed a Budget Amendment after the 3/29/23 advisement, the fund will be included in all future budgets/financials, and is thus, resolved.*
- *The fiscal court budgeted a fund belonging to the Public Properties Corporation, which is not a part of the primary government: The auditors who completed FY20 and FY21 audit instructed the Treasurer that the funds in the bank account designated as "Public Properties" should have been included in the county financials. Acting in response to those prior year auditors (at the completion of the FY20 audit which occurred during April of 2022) the court began including these funds in the county financials.*
- *Inter account transfers within the general fund were unnecessarily included in regular transfers. These transfers were included in financials at the recommendation of a prior auditor.*
- *Transfers in the jail and occupational tax fund were netted against transfers in and not included in financials. Corrective Action: These individual items will not be netted in the future.*

MARSHALL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022
(Continued)

Section II: Financial Statement Findings (Continued)

2022-002 The Marshall County Fiscal Court Lacks Adequate Controls Over Disbursements

This is a repeat finding and was included in the prior year audit report as finding 2021-002. The Marshall County Fiscal Court lacks adequate controls over disbursements. Auditors tested 85 disbursements totaling \$10,772,517 which resulted in the following issues:

- One (1) disbursement for \$1,271,635 and one (1) disbursement for \$158,903 were not properly bid.
- Thirty-three (33) disbursements totaling \$5,335,903 did not have a purchase order.
- Six (6) disbursements totaling \$2,867,894 had a purchase order that was dated after the invoice date.
- Two (2) disbursements totaling \$1,889,452 did not appear to be paid within 30 days due to the invoice not being stamped when received.
- Two (2) disbursements totaling \$753 for utilities were not approved by the fiscal court prior to being paid and were not included on the preapproved reoccurring expenses.
- Two (2) disbursements included finance charges of \$10 and one (1) disbursement totaling \$691 did not include itemized receipts for the disbursement.
- Four (4) credit card disbursements totaling \$1,933 did not have matching supporting documentation.
- One (1) credit card disbursement totaling \$241 was not posted to the correct account code.

Also, due to the purchase order system not functioning properly, the fiscal court had encumbrances at the end of the fiscal year that were not reported on the quarterly report. According to the county treasurer, they were not aware purchase orders should be issued for all disbursements including utilities and contracted services. One of the disbursements were not bid out due to being a sole source that no other company produced. The other was not bid due to being purchased through a cooperative agreement, however no documentation was maintained.

The issues noted above increase the risk of line-items being over budget, claims being paid which are not valid obligations of the fiscal court, and misappropriation of assets. By not paying within 30 working days invoices could incur finance charges that are not an obligation of the fiscal court. Furthermore, by not advertising for bids, the county may not have received the best price for the services provided. Also, the fiscal court was not in compliance with state laws and their administrative code. Strong internal controls dictate that purchase orders be approved and issued prior to items being ordered and expenses being incurred, in order to ensure available line-item appropriation exists. In addition, strong internal controls dictate items would be paid within 30 working days to avoid finance charges and that all invoices be approved by fiscal court prior to payment.

KRS 68.210 gives the state local finance officer the authority to prescribe a system of uniform accounts. The Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* states, "[p]urchase requests shall not be approved in an amount that exceeds the available line-item appropriation unless the necessary and appropriate transfers have been made."

In addition, according to a memorandum from the Department for Local Government (DLG) dated August 4, 2016, "[t]he main purpose of this system is to ensure that purchases can be made if there are sufficient appropriations available within the amount of line items in the county's budget. Because of this, it is a requirement by the State Local Finance Officer that all counties have a purchase order system and follow the guidelines prescribed on Page 54 of the *County Budget Preparation and State Local Finance Officer Policy Manual*." Furthermore, DLG highly recommends that counties accept the practice of issuing purchase orders for payroll and utility claims.

KRS 65.140(2) states, "[u]nless the purchaser and vendor otherwise contract, all bills for goods or services shall be paid within thirty (30) working days of receipt of a vendor's invoice except when payment is delayed because the purchaser has made a written disapproval of improper performances or improper invoicing by the vendor or by the vendor's subcontractor."

**MARSHALL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022
(Continued)**

Section II: Financial Statement Findings (Continued)

2022-002 The Marshall County Fiscal Court Lacks Adequate Controls Over Disbursements (Continued)

The Marshall County Fiscal Court's administrative code states, "[c]ompetitive bids must be received on all purchases where (a) an individual item exceeds the amount required by Kentucky State Law; (b) the total purchase order exceeds the amount required by Kentucky State Law; and/or (c) a recurring purchase is less than the amount required by Kentucky State Law per order, but the total for the fiscal year exceeds the amount required by Kentucky State Law or there is a reasonable expectation that the total annual purchase value will exceed the amount required by Kentucky State Law based on historical purchasing records. All purchases covered by competitive bids must be authorized and approved by the Fiscal Court. In all cases, all activities of the Purchasing Department must comply with the Kentucky Revised Statutes and all County Ordinances."

KRS 424.260(1) states, "[e]xcept where a statute specially fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract, lease, or other agreement for:

- (a) Materials;
- (b) Supplies, except perishable foods such as meat, poultry, fish, egg products, fresh vegetables, and fresh fruits;
- (c) Equipment; or
- (d) Contractual services other than professional;

involving an expenditure of more than thirty thousand dollars (\$30,000) without first making newspaper advertisement for bid. This subsection shall not apply to the transfer of property between governmental agencies as authorized in KRS 82.083(4)(a)."

We recommend the fiscal court strengthen internal controls over the disbursement process by ensuring purchase orders are issued for all disbursements prior to the purchase being made. In addition, we recommend the fiscal court ensure all disbursements are paid within 30 working days of receipt to avoid incurring finance charges. Also, all disbursements should be approved by fiscal court prior to approval and receipts attached should be itemized and match the charge exactly. We further recommend the Marshall County Fiscal Court implement internal control procedures to ensure all purchases of more than \$30,000 have been procured following the county and state's bid requirements.

County Judge/Executive's Response: This finding is during a fiscal year prior to Kevin Spraggs' term as County Judge/Executive. This response is in relation to the repeat finding from prior year audit that the Court lacks adequate controls over disbursements. This finding includes comments regarding purchase orders, bidding, 30 day payment window, itemized receipts, and coding. Purchase Orders were not routinely required for utilities, contracted/bid services, and preapproved recurring expenses. During the course of this audit, conducted in fiscal year 2024, procedures have been changed to require purchase orders for these types (and all) payments and ensure purchase orders are opened prior to purchases being made. The disbursements that were noted as not being properly bid were purchased under the direction of a prior department head with the knowledge that one purchase was sole sourced, meaning that no other company produced the exact specifications and the other was in accordance with a cooperative agreement. However, any documentation for this is unavailable as both individuals no longer work for the county. Planned corrective action includes securing documentation with proper storage for any sole sourcing, bidding and/or purchases made under cooperative agreements. The court makes every effort to pay invoices prior to 30 day window and will continue to pay accordingly. The receipt that was not itemized was a meal for a jury purchased by the Sheriffs' department at a restaurant, and the restaurant did not provide an itemized bill. Payment requests submitted by department heads and/or elected officials will be more heavily reviewed for any lack of itemization on receipts/invoices and appropriate coding.

MARSHALL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022
(Continued)

Section II: Financial Statement Findings (Continued)

2022-003 The Marshall County Fiscal Court Did Not Pay The Short Term Debt Obligation Note By The End Of The Fiscal Year

On January 10, 2022, the Marshall County Fiscal Court applied for a line of credit note in the amount of \$15,000,000 from a local financial institution to pay expenses related to tornado debris removal. During the fiscal year the county used \$6,633,264 on the line of credit. The county paid monthly finance charges but did not pay off total debt obligation by the end of the fiscal year.

The county personnel stated they were waiting on reimbursements from FEMA in order to have funds to pay obligation to financial institution. As a result, the fiscal court's line of credit note has an unpaid principal balance of \$6,341,830 as of June 30, 2022. Additionally, the fiscal court was not in compliance with applicable statutes.

While KRS's 65.7701 through 65.7721 allows for governmental agencies to enter into notes under the Short Term Borrowing Act, these statutes also require that these financial obligations be repaid by the end of the fiscal year. KRS 65.7707 states, "[n]otes payable shall mature on a date determined by the governing body which shall be no later than the last day of the fiscal year in which the notes are issued."

We recommend the fiscal court seek guidance from the Department for Local Government before entering into any type of financing obligations, to ensure they comply with applicable statutes and state local finance officer requirements.

County Judge/Executive's Response: This finding is during a fiscal year prior to Kevin Spraggs' term as County Judge/Executive. This response is in relation to the finding that the Court did not pay short term debt obligation note by the end of the fiscal year. This finding is regarding the short term borrowing between the Court and a local bank in response to the December 2021 Tornado event which required millions of dollars of funding for the County to resolve. The short term note allowed the Court to borrow to pay immediate expenses for the tornado event while waiting for FEMA funds to reimburse these expenses. The note became due at the end of each fiscal year when the court could elect to pay the balance of the note or renew it for the term of another fiscal year. Unfortunately, FEMA does not reimburse based on when fiscal years end for local governments, and thus, the Court elected to renew this note to extend time awaiting FEMA funds. For corrective action: in the event that another disaster requires the County to need to utilize borrowing to address disaster expenses while waiting for FEMA, the court will seek guidance from the Department for Local Government prior to renewing any short term debt.

2022-004 The Marshall County Fiscal Court Did Not Maintain A Complete And Accurate Schedule Of Leases

The Marshall County Fiscal Court failed to maintain a complete and accurate schedule of leases for the 2022 fiscal year. This schedule is a required part of the financial statement reporting package required by the Department for Local Government. While the county did maintain a schedule of assets in which they were lessor and lessee, the schedule was not accurate and did not include all of the necessary information. During fiscal year 2023, the fiscal court received \$6,000 for property in which they were the lessor and disbursed \$240,407 for various vehicle and equipment leases.

MARSHALL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022
(Continued)

Section II: Financial Statement Findings (Continued)

2022-004 The Marshall County Fiscal Court Did Not Maintain A Complete And Accurate Schedule Of Leases
 (Continued)

According to the county personnel, they were unaware of all of the required information that was necessary for disclosure in the notes to the financial statement. Because an accurate and complete schedule of leases was not compiled nor maintained, Marshall County was not in compliance with the requirements of GASB Statement No. 87.

Statement No. 87 of the Governmental Accounting Standards Board establishes standards of accounting and financial reporting for leases by lessees and lessors. The note disclosure requirements of this statement apply to financial statements of all state and local governments and should include the following:

- 1) Lessee:
 - a) A general description of its leasing arrangements, including (1) the basis, terms, and conditions on which variable payments not included in the measurement of the lease liability are determined and (2) the existence, terms, and conditions of residual value.
 - b) The total amount of lease, principal and interest (*if disclosed in agreement*).
- 2) Lessor:
 - a) A general description of its leasing arrangements, including the basis, terms, and conditions.
 - b) The existence, terms, and conditions of options by the lessee to terminate the lease.

Additionally, strong internal controls dictate that Marshall County maintain a schedule of leases to ensure note disclosures are complete and adequate.

We recommend the fiscal court maintain a complete schedule of all leases and follow the standards set forth by GASB 87 to ensure note disclosures are complete and accurate.

County Judge/Executive's Response: This finding is during a fiscal year prior to Kevin Spraggs' term as County Judge/Executive. This response is in relation to the finding that the Court did not maintain a complete and accurate schedule of leases. Leases were not previously a requirement for the disclosures of the fiscal court; this is the first year they have been required. For corrective action plan: the court will maintain a complete schedule of all leases and follow the standards set forth by GASB 87 in the method presented by the auditor.

2022-005 The Marshall County Fiscal Court Lacks Adequate Internal Controls Over The Preparation Of The
 Schedule Of Expenditures Of Federal Awards

The Marshall County Fiscal Court failed to prepare and submit a Schedule of Expenditures of Federal Awards (SEFA) to the Department for Local Government. The SEFA later provided to auditors included an overstatement of \$578,198 for the Disaster Grant – Public Assistance Program (FEMA) expenditures.

MARSHALL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022
(Continued)

Section II: Financial Statement Findings (Continued)

2022-005 The Marshall County Fiscal Court Lacks Adequate Internal Controls Over the Preparation Of The Schedule Of Expenditures Of Federal Awards (Continued)

Based on conversations with county personnel, there was confusion when determining the actual dollar amount of federal expenditures related to the Disaster Grant – Public Assistance Program. The county relied on a third-party company to administer the grant and for guidance in preparing the SEFA. This heavy reliance on the third-party company resulted in the fiscal court not gaining an adequate understanding of what expenditures were considered federal awards. Furthermore, there were not adequate controls put in place by the county to ensure the SEFA's accuracy.

As a result of the errors made and lack of effective operating controls, the original schedule of federal expenditures was materially inaccurate due to the Disaster Grant – Public Assistance Program (FEMA) including expenditures that were not federal expenditures or were only partially reimbursed by federal money. Also, the fiscal court is not in compliance with 2 CFR 200.510(b). Strong internal controls over financial reporting are vital in ensuring that federal awards expended are accounted for and reported properly. Strong internal controls are also important in safeguarding the county's assets and those given the responsibility of accounting for them, as well as helping make certain the county complied with all requirements and guidance. Additionally, 2 CFR 200.510(b) states, "[t]he auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended."

We recommend the fiscal court implement or strengthen controls over federal award expenditures reporting to ensure amounts reported represent true federal expenditures during the year.

County Judge/Executive's Response: This finding is during a fiscal year prior to Kevin Spraggs' term as County Judge/Executive. This response is in relation to the finding that the Court lacks adequate internal controls over the preparation of the Schedule of Expenditures of Federal Awards. The SEFA was overstated for the Disaster Grant Public Assistance Program FEMA. The Court hired a third party company to administer the grant submissions for the December 2021 Tornado Disaster, and this created a disconnect between the submission process and later reporting process for the SEFA form. At the time that the SEFA was prepared submissions and approvals for FEMA related expenses had just started to occur. All expenses were included in the submission even those that later were deemed ineligible for FEMA or were determined to be only partially covered by FEMA. There are still expenses as of April 2024 that are in the appeal stage of application for FEMA reimbursement with uncertainty of whether they will be approved with federal funding or will be denied. For the future planning, in the event that another disaster requires the County to contract with another outside agency for FEMA submission, the Court will strengthen the controls in the reporting process as well as seek out guidance from DLG and/or auditors and/or others on accurately reporting partially covered FEMA expenses as well as expenses that are in an 'unknown coverage' state at the time of the SEFA creation.

MARSHALL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022
(Continued)

Section III: Federal Award Findings And Questioned Costs

2022-006 The Marshall County Fiscal Court Failed To Implement Adequate Controls Over Federal Expenditures

Federal Program: Assistance Listing # 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disaster)

Award Number and Year: FEMA 4630 - 2022

Name of Federal Agency and Pass-Through Agency: US Department of Homeland Security, Passed Through Kentucky Department of Emergency Management

Compliance Requirements: Activities Allowed & Allowable Costs

Type of Finding: Material Weakness

Amount of Questioned Costs: None Noted

Opinion Modification: Unmodified Opinion

The Marshall County Fiscal Court failed to implement adequate controls over the Disaster Grants – Public Assistance (Presidentially Declared Disaster) (FEMA) program to ensure all compliance requirements are being met. Disbursements for the FEMA program were not handled in the manner prescribed by the county's administrative code, or the manner prescribed by the Department for Local Government as required by KRS 68.210. The auditor selected a sample size of 40 federal expenditures related to the FEMA program. Of the 40 expenditures tested, 34 expenditures, totaling \$5,049,474, did not have purchase orders as required.

Furthermore, the fiscal court did not have any internal control procedures in place to verify that FEMA expenditure requests, and record keeping were being done correctly. This resulted in the county's Schedule of Federal Awards and Expenditures (SEFA) being materially misstated, and several schedules and reports being incomplete or inaccurate.

The fiscal court relied heavily on a third-party administrator for all FEMA project activity and relied on the third-party's controls to satisfy compliance requirement. Also, according to county personnel, at that time the fiscal court decided not to require purchase orders for contracted services and disaster related expenditures.

By relying on a third-party administrator, without enacting any internal controls, the county increased the risk of misappropriation of funds, and noncompliance with federal grant guidelines. This could have potentially led to questioned costs that would have to be repaid, and less federal funding in the future. By not requiring purchase orders, there is an increased risk of misappropriation of funds and overspending budget line items. Furthermore, the fiscal court is not in compliance with the Department of Local Government's policies or their own Administrative Code.

Strong internal controls dictate that the fiscal court should review all federal expenditure documentation and reports to ensure compliance requirements are being met, and activities are being completed accurately. Strong internal controls also require purchase orders be approved and issued prior to items being ordered and expenses being incurred, to ensure available line-item appropriation exists.

The Marshall County Administrative Code Section 4.6 states, "[a]ll claims for payment from the County shall be filed in writing with the County Judge. Each claim shall be recorded by date, receipt and purchase order number and presented to the Fiscal Court at its next meeting."

2 CFR Part 200, Appendix XI, the Compliance Supplement for program 4-97.036, states, "Cost must be: Consistent with applicant's internal policies, regulations, and procedures that apply uniformly to both federal awards and other activities of applicant."

MARSHALL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022
(Continued)

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

2022-006 The Marshall County Fiscal Court Failed To Implement Adequate Controls Over Federal Expenditures
 (Continued)

KRS 68.210 gives the state local finance officer the authority to prescribe a system of uniform accounts. The Department of Local Government (DLG) requires counties to implement a purchase order system which includes issuing purchase orders for all claims expended from the county's budget. Good internal controls require the use of established procurement policies to ensure that federal disbursements are handled in the manner consistent with the treatment of non-federal disbursements.

In addition, according to a memorandum from the Department for Local Government (DLG) dated August 4, 2016, "[t]he main purpose of this system is to ensure that purchases can be made if there are sufficient appropriations available within the amount of line items in the county's budget. Because of this, it is a requirement by the State Local Finance Officer that all counties have a purchase order system and follow the guidelines prescribed on Page 54 of the *County Budget Preparation and State Local Finance Officer Policy Manual*." Furthermore, DLG highly recommends that counties accept the practice of issuing purchase orders for payroll and utility claims.

We recommend the fiscal court strengthen internal controls over the federal expenditure process by ensuring all activity related to federal expenditures is reviewed for accuracy and compliance. We further recommend that consistent treatment be applied to federal expenditures procedures such as issuing purchase orders for all expenditures prior to the purchase being made.

County Judge/Executive's Response: This finding is during a fiscal year prior to Kevin Spraggs' term as County Judge/Executive. This response is in relation to the finding that the Court failed to implement adequate controls over federal expenditures due to not having purchase orders for the December 2021 Tornado Disaster related expenses and that the third party hired by the court to be administrator for FEMA project activity resulting in a misstated SEFA and inaccurate record keeping. This finding repeats the purchase order finding (2022-02) and the SEFA misstatement (2022-005). Please review the corrective action related to those findings for corrective actions for these two items. Additionally, the court will comply with auditor recommendations listed with these findings regarding future third party administrators.

MARSHALL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022
(Continued)

Section IV: Summary Schedule of Prior Audit Findings

Finding Number	Prior Year Finding Title	Status	Corrective Action
2021-001	The Marshall County Detention Center Has A Lack Of Segregation Of Duties Over Jail Commissary Operations	Resolved	Jail has compensating controls
2021-002	The Marshall County Fiscal Court Has Deficiencies In Controls Over Disbursements	Unresolved	Current year Finding 2022-002, Purchase Orders have not historically been issued for utilities, vote approved to correct on 1/10/2024
2021-003	The Marshall County Jailer Failed To Maintain Minimum Accounting Records For The Jail Commissary	Resolved	Accounting records were maintained
2021-004	The Marshall County Jailer Did Not Make Daily Deposits	Resolved	Daily deposits were done.
2021-005	The Fiscal Court Failed To Make Continuing Financial Disclosures	Partially	Audits provided as disclosures on delay as audits are delayed.
2021-006	The Marshall County Fiscal Court Did Not Properly Budget For And Record All Debt Related Disbursements	Partially	Normal debt was budgeted and recorded, The Arts Commission paid off their loan directly to the lender without passing through fiscal court.

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

MARSHALL COUNTY FISCAL COURT

For The Year Ended June 30, 2022

THIS PAGE LEFT BLANK INTENTIONALLY

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
COUNTY FISCAL COURT

For The Year Ended June 30, 2022

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.

A handwritten signature in blue ink, appearing to be "J. L. Smith", written over a horizontal line.

County Judge/Executive

A handwritten signature in black ink, appearing to be "C. L. Smith", written over a horizontal line.

County Treasurer