

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

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

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To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary Finance and Administration Cabinet
The Honorable Jack Whitfield, Jr., Hopkins County Judge/Executive
Members of the Hopkins County Fiscal Court

Independent Auditors' Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Hopkins County Fiscal Court, for the year ended June 30, 2020, and the related notes to the financial statement which collectively comprise the Hopkins County Fiscal Court's financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. This includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Audit Guide for Fiscal Court Audits* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the People of Kentucky
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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the Hopkins County Fiscal Court on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Hopkins County Fiscal Court as of June 30, 2020, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

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

Other Matters

Supplementary and Other Information

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

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

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

To the People of Kentucky

The Honorable Andy Beshear, Governor

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The Honorable Jack Whitfield, Jr., Hopkins County Judge/Executive

Members of the Hopkins County Fiscal Court

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2021 on our consideration of the Hopkins County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hopkins County Fiscal Court's internal control over financial reporting and compliance.

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

- 2020-001 Hopkins County Fiscal Courts Off-Site Locations Lack Adequate Controls Over Receipts And Deposits Are Not Being Made Daily
- 2020-002 The Tax Administrator's Bond Is Insufficient
- 2020-003 Hopkins County Fiscal Court Is Not Using The Purchase Order System Correctly
- 2020-004 The Debt Schedules Do Not Agree With The Fourth Quarter Report

Respectfully submitted,

Tichenor & Associates, LLP

Tichenor & Associates, LLP
Louisville, KY

May 4, 2021

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

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

Other Elected Officials:

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

Appointed Personnel:

Tracy Browning	County Treasurer
Laura Harvey	Occupational Tax Administrator

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

For The Year Ended June 30, 2020

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

For The Year Ended June 30, 2020

	<u>Budgeted Funds</u>		
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
RECEIPTS			
Taxes	\$ 10,592,824	\$	\$
Licenses and Permits	83,017		
Intergovernmental	3,074,732	2,817,942	3,339,598
Charges for Services	85		218,301
Miscellaneous	409,022	11,489	183,149
Interest	100,135	11,313	6,532
Total Receipts	<u>14,259,815</u>	<u>2,840,744</u>	<u>3,747,580</u>
DISBURSEMENTS			
General Government	5,679,899		
Protection to Persons and Property	304,594		3,898,442
General Health and Sanitation	400		
Social Services			
Recreation and Culture			
Roads		1,824,196	
Debt Service		47,190	959,994
Capital Projects	7,596	1,777,241	
Administration	2,074,759	536,858	1,071,837
Total Disbursements	<u>8,067,248</u>	<u>4,185,485</u>	<u>5,930,273</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>6,192,567</u>	<u>(1,344,741)</u>	<u>(2,182,693)</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds		1,475,000	2,225,000
Transfers To Other Funds	(5,200,000)		
Total Other Adjustments to Cash (Uses)	<u>(5,200,000)</u>	<u>1,475,000</u>	<u>2,225,000</u>
Net Change in Fund Balance	992,567	130,259	42,307
Fund Balance - Beginning (Restated)	3,570,493	446,885	639,479
Fund Balance - Ending	<u>\$ 4,563,060</u>	<u>\$ 577,144</u>	<u>\$ 681,786</u>
Composition of Fund Balance			
Bank Balance	\$ 4,673,740	\$ 892,571	\$ 712,989
Plus: Deposits In Transit			
Less: Outstanding Checks	(110,680)	(315,427)	(31,203)
Fund Balance - Ending	<u>\$ 4,563,060</u>	<u>\$ 577,144</u>	<u>\$ 681,786</u>

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

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

Budgeted Funds			Unbudgeted Funds		
Local Government Economic Assistance Fund	Contingency Fund	Local Government Economic Development Fund	Public Facilities Construction Corporation Fund	Jail Commissary Fund	Total Funds
\$	\$	\$	\$	\$	\$ 10,592,824
4,600					87,617
1,355,208	29,406		7,158,702	12,201	17,787,789
404,852				801,709	1,424,947
85,663					689,323
10,934	55,826			3,344	188,084
<u>1,861,257</u>	<u>85,232</u>		<u>7,158,702</u>	<u>817,254</u>	<u>30,770,584</u>
491,651					6,171,550
150,000					4,353,036
1,437,897					1,438,297
126,509					126,509
763,457				704,312	1,467,769
					1,824,196
			7,156,199		8,163,383
83,381					1,868,218
371,236					4,054,690
<u>3,424,131</u>			<u>7,156,199</u>	<u>704,312</u>	<u>29,467,648</u>
(1,562,874)	85,232		2,503	112,942	1,302,936
1,500,000					5,200,000
<u>1,500,000</u>					<u>(5,200,000)</u>
(62,874)	85,232		2,503	112,942	1,302,936
733,968	3,038,182		151,308	253,659	8,833,974
<u>\$ 671,094</u>	<u>\$ 3,123,414</u>	<u>\$ 0</u>	<u>\$ 153,811</u>	<u>\$ 366,601</u>	<u>\$ 10,136,910</u>
\$ 782,990	\$ 3,123,414	\$	\$ 153,811	\$ 378,809	\$ 10,718,324
(111,896)				6,587	6,587
				(18,795)	(588,001)
<u>\$ 671,094</u>	<u>\$ 3,123,414</u>	<u>\$ 0</u>	<u>\$ 153,811</u>	<u>\$ 366,601</u>	<u>\$ 10,136,910</u>

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

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TO THE FINANCIAL STATEMENT**

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**HOPKINS COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2020

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Basis of Accounting

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

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

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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

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

Local Government Economic Development Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are grants from state and federal governments. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Public Facilities Construction Corporation Fund - The primary purpose of this fund is to account for the proceeds and debt service of revenue bonds that were issued to fund 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, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board and according to the laws of Kentucky as required by the state local finance officer.

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

E. Hopkins County Elected Officials

Kentucky law provides for election of the officials listed below from the geographic area constituting Hopkins County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of the Hopkins County Fiscal Court.

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

F. Deposits

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

G. Long-term Obligations

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

Note 2. Deposits

The fiscal court-maintained deposits of public funds with 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 as of June 30, 2020.

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, 2020, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

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

Note 3. Transfers

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

	General Fund	Total Transfers In
Road Fund	\$ 1,475,000	\$ 1,475,000
Jail Fund	2,225,000	2,225,000
LGEA Fund	1,500,000	1,500,000
Total Transfers Out	<u>\$ 5,200,000</u>	<u>\$ 5,200,000</u>

Reason for transfers:

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

Note 4. Receivables

The county loaned \$500,000 to the Hopkins County - Madisonville Public Library on January 7, 2014, for the purpose of making improvements to real estate. Terms of the agreement stipulate a 20 - year repayment schedule at 1.175 percent interest. Records indicate Hopkins County - Madisonville Public Library is in substantial compliance with this requirement. As of June 30, 2020, principal balance due was \$350,000.

Note 5. Long - term Debt

As of June 30, 2020, the following includes the Hopkins County Fiscal Court's Long - term debt activity for fiscal year 2020.

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

On June 1, 2010, the Hopkins County Public Properties Corporation issued \$19,410,000 of First Mortgage Revenue Bonds (Judicial Center Project), Series 2010, for the purpose of acquiring, constructing, and equipping a new Judicial Center. The bonds will mature on June 30, 2027. Interest is payable each June 1 and December 1. As of June 30, 2020, bonds outstanding were \$3,655,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Interest
2021	\$ 1,180,000	\$ 335,263
2022	1,215,000	295,438
2023	1,260,000	252,913
Totals	<u>\$ 3,655,000</u>	<u>\$ 883,614</u>

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

Note 5. Long - term Debt (Continued)

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

On July 27, 2017, the fiscal court sold Hopkins County, Kentucky Public Properties Corporation issued \$5,928,288 of Mortgage Revenue Refunding Bonds (Judicial Center Project), Series 2017, for the purpose of (i) refunding and refinancing the outstanding Hopkins County Public Properties Corporation First Mortgage Revenue Bonds (Judicial Center Project) Series 2010 maturing on and after June 1, 2024 and (ii) paying the costs of issuance on the bonds. The Judicial Center Project is being used as collateral for this project. The bonds will mature on June 1, 2027. The bonds have an interest rate of 2.25% annum and interest is payable each June 1 and December 1. As of June 30, 2020, bonds outstanding were \$5,926,754. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Interest
2021	\$ 61,466	\$ 133,386
2022	65,500	131,969
2023	69,811	130,495
2024	1,385,387	128,924
2025	1,415,884	81,825
2026-2027	2,928,706	115,122
Totals	<u>\$ 5,926,754</u>	<u>\$ 721,721</u>

The Hopkins County Public Properties Corporation (Corporation), Hopkins County Fiscal Court, and the Administrative Office of the Courts (AOC) entered into a lease agreement dated July 1, 2017, wherein the AOC shall lease from the Corporation the new judicial center at an agreed rental which is anticipated to pay 100% of the debt service on the bonds.

C. General Obligation Lease, Series 2014

On December 10, 2014, a lease agreement was entered into between Old National Bank (Lessor) and Hopkins County (Lessee) for the purpose of refinancing the Series 2005 General Obligation Refunding Bonds. In order to meet the outstanding bonds as they come due, the proceeds of the lease were used to establish a Redemption Fund in the amount of \$5,088,375.

The lease provides that it will be in effect for a term commencing on December 10, 2014, and ending on February 1, 2020, at an annual interest rate of 1.49 percent. This lease was paid in full on January 10, 2020, in the amount of \$888,943 of principal.

D. HVAC

On November 18, 2014, the fiscal court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program as Administrator and PNC Equipment Finance, LLC as Lessor in the sum of \$495,000 at a 3.20 percent effective interest rate. The financing obligation was acquisition, installation, and equipping of an HVAC system. The HVAC system is being used as collateral for this agreement. In the event of default, the Kentucky Association of Counties Leasing Trust Program may terminate the lease and take possession of the project within 60 days. The maturity date of the obligation is June 20, 2025. The balance of the financing obligation at June 30, 2020, was \$264,268. Annual debt service requirements to maturity are as follows:

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

Note 5. Long - term Debt (Continued)

D. HVAC (Continued)

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 50,350	\$ 7,721
2022	51,573	6,092
2023	52,823	4,424
2024	54,105	2,715
2025	<u>55,417</u>	<u>964</u>
Totals	<u>\$ 264,268</u>	<u>\$ 21,916</u>

E. Road Department Vehicles

During fiscal year 2018, the fiscal court entered into a lease agreement with Enterprise Fleet Management in the sum of \$249,046. The financing obligation was for the acquisition of road department vehicles. The vehicles included in this agreement are the collateral. If the fiscal court fails to meet the terms of the lease Enterprise Fleet Management would take possession of the vehicles included in this agreement. The term of the lease is for 60 months. The balance of the financing obligation as of June 30, 2020, was \$118,071. Annual debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 38,984	\$ 8,206
2022	38,984	8,206
2023	<u>40,103</u>	<u>1,368</u>
Totals	<u>\$ 118,071</u>	<u>\$ 17,780</u>

F. Changes In Long - term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 888,943	\$	\$ 888,943	\$	\$
Revenue Bonds	16,233,288		6,651,534	9,581,754	1,241,466
Financing Obligations	<u>469,942</u>		<u>87,603</u>	<u>382,339</u>	<u>89,334</u>
Total Long-term Debt	<u>\$ 17,592,173</u>	<u>\$ 0</u>	<u>\$ 7,628,080</u>	<u>\$ 9,964,093</u>	<u>\$ 1,330,800</u>

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

Note 6. Commitment Debt

As of June 30, 2020, the following includes the Hopkins County Fiscal Court's Commitment Debt balances.

A. Ambulance Service Contract

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

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

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

B. Hopkins County Regional Landfill

The Hopkins County Regional Landfill entered into an agreement with Hopkins County on October 31, 2011. Under the terms of the agreement, Hopkins County Regional Landfill is to provide waste management services for the county and citizens of Hopkins County, Kentucky. The Hopkins County Regional Landfill has also agreed to pay licensing fees to the county as mandated in Ordinance 2006 - 10. As of June 30, 2020, both parties were in compliance with this agreement.

C. South Main Sewer Project - Interlocal Cooperation Agreement

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

Note 7. Employee Retirement System

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

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

Note 7. Employee Retirement System (Continued)

The county's contribution for FY 2018 was \$1,386,166, FY 2019 was \$1,566,542, and FY 2020 was \$1,734,809.

Nonhazardous

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

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

Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4 percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

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

The county's contribution rate for nonhazardous employees was 24.06 percent for the year ended June 30, 2020.

Hazardous

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

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

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

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

Note 7. Employee Retirement System (Continued)

Hazardous (Continued)

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

The county's contribution rate for hazardous employees was 39.58 percent for the year ended June 30, 2020.

Other Post - Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

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

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

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

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

Note 7. Employee Retirement System (Continued)

Other Post - Employment Benefits (OPEB)(Continued)

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

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

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

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

C. Cost of Living Adjustments - Tier 1

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

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

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

E. Death Benefit

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

KRS Annual Financial Report and Proportionate Share Audit Report

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

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

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

Note 8. Deferred Compensation

In February 2000, the Hopkins County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax-sheltered supplemental retirement plans for all state, public school and university employees, and employees of local political subdivisions that have elected to participate.

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

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601 - 8862, or by telephone at (502) 573-7925.

Note 9. Flexible Spending Account

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

Note 10. Insurance

For the fiscal year ended June 30, 2020, the Hopkins County Fiscal Court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 11. Conduit Debt

From time to time the county has issued bonds to provide financial assistance to various entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest, in accordance with KRS 103.210. This debt may take the form of certain types of limited-obligation revenue bonds, certificates of participation, or similar debt instruments. Although conduit debt obligations bear the Hopkins County Fiscal Court's name as issuer, the fiscal court has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf it is issued. Neither the fiscal court nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statement. As of June 30, 2020, conduit debt has been issued but the amount currently outstanding is not reasonably determinable.

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

Note 12. Prior Period Adjustment

The beginning balance of the jail commissary and public facilities construction corporation funds have been restated by \$114 due to prior period misstatement and \$5,606,751 due to a prior period inclusion of escrow accounts.

	Jail Commissary Fund	Public Facilities Construction Corporation Fund
FY19 Ending Balance	\$ 253,773	\$ 5,758,059
Prior Period Misstatement	(114)	(5,606,751)
Restated FY20 Beginning Balance	<u>\$ 253,659</u>	<u>\$ 151,308</u>

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

For The Year Ended June 30, 2020

HOPKINS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2020

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 9,928,850	\$ 9,928,850	\$ 10,592,824	\$ 663,974
Licenses and Permits	85,000	85,000	83,017	(1,983)
Intergovernmental	3,214,735	3,214,735	3,074,732	(140,003)
Charges for Services	500	500	85	(415)
Miscellaneous	228,600	228,600	409,022	180,422
Interest	30,000	30,000	100,135	70,135
Total Receipts	<u>13,487,685</u>	<u>13,487,685</u>	<u>14,259,815</u>	<u>772,130</u>
DISBURSEMENTS				
General Government	6,088,131	6,345,576	5,679,899	665,677
Protection to Persons and Property	348,200	348,200	304,594	43,606
General Health and Sanitation	400	400	400	
Capital Projects	20,000	20,000	7,596	12,404
Administration	2,770,377	2,512,932	2,074,759	438,173
Total Disbursements	<u>9,227,108</u>	<u>9,227,108</u>	<u>8,067,248</u>	<u>1,159,860</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>4,260,577</u>	<u>4,260,577</u>	<u>6,192,567</u>	<u>1,931,990</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(7,765,077)</u>	<u>(7,765,077)</u>	<u>(5,200,000)</u>	<u>2,565,077</u>
Total Other Adjustments to Cash (Uses)	<u>(7,765,077)</u>	<u>(7,765,077)</u>	<u>(5,200,000)</u>	<u>2,565,077</u>
Net Change in Fund Balance	(3,504,500)	(3,504,500)	992,567	4,497,067
Fund Balance - Beginning	<u>3,504,500</u>	<u>3,504,500</u>	<u>3,570,493</u>	<u>65,993</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,563,060</u>	<u>\$ 4,563,060</u>

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

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 2,827,549	\$ 2,827,549	\$ 2,817,942	\$ (9,607)
Miscellaneous	200	200	11,489	11,289
Interest	3,700	3,700	11,313	7,613
Total Receipts	<u>2,831,449</u>	<u>2,831,449</u>	<u>2,840,744</u>	<u>9,295</u>
DISBURSEMENTS				
Roads	3,022,326	2,936,326	1,824,196	1,112,130
Debt Service	66,875	66,875	47,190	19,685
Capital Projects	1,777,000	1,863,000	1,777,241	85,759
Administration	875,400	875,400	536,858	338,542
Total Disbursements	<u>5,741,601</u>	<u>5,741,601</u>	<u>4,185,485</u>	<u>1,556,116</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,910,152)</u>	<u>(2,910,152)</u>	<u>(1,344,741)</u>	<u>1,565,411</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>2,304,852</u>	<u>2,304,852</u>	<u>1,475,000</u>	<u>(829,852)</u>
Total Other Adjustments to Cash (Uses)	<u>2,304,852</u>	<u>2,304,852</u>	<u>1,475,000</u>	<u>(829,852)</u>
Net Change in Fund Balance	(605,300)	(605,300)	130,259	735,559
Fund Balance - Beginning	<u>605,300</u>	<u>605,300</u>	<u>446,885</u>	<u>(158,415)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 577,144</u>	<u>\$ 577,144</u>

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

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 3,171,300	\$ 3,171,300	\$ 3,339,598	\$ 168,298
Charges for Services	187,100	187,100	218,301	31,201
Miscellaneous	131,600	131,600	183,149	51,549
Interest	3,600	3,600	6,532	2,932
Total Receipts	<u>3,493,600</u>	<u>3,493,600</u>	<u>3,747,580</u>	<u>253,980</u>
DISBURSEMENTS				
Protection to Persons and Property	4,213,807	4,214,907	3,898,442	316,465
Debt Service	961,815	961,815	959,994	1,821
Administration	1,280,000	1,278,900	1,071,837	207,063
Total Disbursements	<u>6,455,622</u>	<u>6,455,622</u>	<u>5,930,273</u>	<u>525,349</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,962,022)</u>	<u>(2,962,022)</u>	<u>(2,182,693)</u>	<u>779,329</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>2,360,822</u>	<u>2,360,822</u>	<u>2,225,000</u>	<u>(135,822)</u>
Total Other Adjustments to Cash (Uses)	<u>2,360,822</u>	<u>2,360,822</u>	<u>2,225,000</u>	<u>(135,822)</u>
Net Change in Fund Balance	(601,200)	(601,200)	42,307	643,507
Fund Balance - Beginning	<u>601,200</u>	<u>601,200</u>	<u>639,479</u>	<u>38,279</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 681,786</u>	<u>\$ 681,786</u>

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

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Licenses and Permits	\$ 5,000	\$ 5,000	\$ 4,600	\$ (400)
Intergovernmental	1,980,000	1,980,000	1,355,208	(624,792)
Charges for Services	373,000	373,000	404,852	31,852
Miscellaneous	51,200	51,200	85,663	34,463
Interest	2,000	2,000	10,934	8,934
Total Receipts	2,411,200	2,411,200	1,861,257	(549,943)
DISBURSEMENTS				
General Government	1,097,948	1,156,948	491,651	665,297
Protection to Persons and Property	200,000	200,000	150,000	50,000
General Health and Sanitation	1,935,186	1,993,446	1,437,897	555,549
Social Services	142,844	142,844	126,509	16,335
Recreation and Culture	873,425	878,425	763,457	114,968
Capital Projects	300,000	300,000	83,381	216,619
Administration	561,400	439,140	371,236	67,904
Total Disbursements	5,110,803	5,110,803	3,424,131	1,686,672
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(2,699,603)	(2,699,603)	(1,562,874)	1,136,729
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	2,099,403	2,099,403	1,500,000	(599,403)
Total Other Adjustments to Cash (Uses)	2,099,403	2,099,403	1,500,000	(599,403)
Net Change in Fund Balance	(600,200)	(600,200)	(62,874)	537,326
Fund Balance - Beginning	600,200	600,200	733,968	133,768
Fund Balance - Ending	\$ 0	\$ 0	\$ 671,094	\$ 671,094

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

	CONTINGENCY FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 30,000	\$ 30,000	\$ 29,406	\$ (594)
Interest	30,000		55,826	55,826
Total Receipts	<u>60,000</u>	<u>30,000</u>	<u>85,232</u>	<u>55,232</u>
DISBURSEMENTS				
Administration	4,787,000	4,787,000		4,787,000
Total Disbursements	<u>4,787,000</u>	<u>4,787,000</u>		<u>4,787,000</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(4,727,000)</u>	<u>(4,757,000)</u>	85,232	4,842,232
Net Change in Fund Balance	(4,727,000)	(4,757,000)	85,232	4,842,232
Fund Balance - Beginning	<u>4,727,000</u>	<u>4,757,000</u>	<u>3,038,182</u>	<u>(1,718,818)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,123,414</u>	<u>\$ 3,123,414</u>

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

	LOCAL GOVERNMENT ECONOMIC DEVELOPMENT FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
DISBURSEMENTS				
General Government	\$ 1,000,000	\$ 1,000,000	\$	\$ 1,000,000
Total Disbursements	1,000,000	1,000,000		1,000,000
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,000,000)	(1,000,000)		1,000,000
Net Change in Fund Balance	(1,000,000)	(1,000,000)		1,000,000
Fund Balance - Beginning	1,000,000	1,000,000		(1,000,000)
Fund Balance - Ending	\$ 0	\$ 0	\$ 0	\$ 0

HOPKINS COUNTY
NOTE TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2020

Note 1. Budgetary Information

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

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

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

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

For The Year Ended June 30, 2020

HOPKINS COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2020

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 1,596,564	\$ 402,618	\$	\$ 1,999,182
Construction In Progress	1,622,541		143,500	1,479,041
Buildings and Building Improvements	37,741,780	67,775		37,809,555
Machinery and Equipment	6,182,099	287,308		6,469,407
Vehicles	3,395,460	221,571		3,617,031
Jail Commissary	450,784	34,510	21,343	463,951
Infrastructure	14,406,762	1,608,351		16,015,113
Total Capital Assets	\$ 65,395,990	\$ 2,622,133	\$ 164,843	\$ 67,853,280

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

June 30, 2020

Note 1. Capital Assets

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

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

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

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

Independent Auditors' Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Hopkins County Fiscal Court for the fiscal year ended June 30, 2020, and the related notes to the financial statement which collectively comprise the Hopkins County Fiscal Court's financial statement and have issued our report thereon dated May 4, 2021.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified a certain deficiency in internal control that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

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

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2020-001, 2020-003 and 2020-004 to be significant deficiencies.

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 Hopkins County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2020-001 and 2020-002.

Views Of Responsible Officials And Planned Corrective Action

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

Purpose Of This Report

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

Respectfully submitted,

Tichenor & Associates, LLP

Tichenor & Associates, LLP
Louisville, Kentucky

May 4, 2021

**HOPKINS COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2020

**HOPKINS COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2020

Financial Statement Findings:

2020-001 Hopkins County Fiscal Court Off-Site Locations Lack Adequate Controls Over Receipts And Deposits Are Not Being Made Daily

This is a repeat finding and was included in the prior year report as finding 2019-002. The Hopkins County Fiscal Court sanitation department lack adequate controls over receipts.

Sanitation Department:

- Receipts for the sanitation department are not deposited daily, they are deposited at random times throughout the month.

According to the county treasurer, this lack of internal controls is a result of a limited budget, which restricts the number of qualified employees the fiscal court can hire for accounting functions.

Without the proper internal controls and deposits being made daily the fiscal court creates the opportunity for misappropriation of assets and inaccurate financial reporting to occur and go unnoticed.

Good internal controls dictate that duties over the various accounting functions such as preparation of deposits, checkout sheet preparation, and collection of cash should be segregated in order to lower the risk of misappropriation of assets and inaccurate financial reporting occurring and going unnoticed. Good internal controls also dictate that accurate and sufficient records be maintained in order to ensure all fees collected are deposited by the county treasurer. Also, per KRS 68.210, the State Local Finance Officer shall prescribe minimum accounting standards, including performing daily check-out procedures and making daily deposits intact to a federally insured banking institution.

We recommend that the sanitation department implement internal controls over daily transactions and fees collected.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The clerk at the Barnsley sanitation department collects the money daily. The solid waste coordinator completes the deposit ticket daily. Therefore, there are 2 employees that are responsible for the money that is collected and deposited. The treasurer then records the deposits in the accounting system for HCFC.

2020-002 The Tax Administrator's Bond Is Insufficient

This is a repeat finding and was included in the prior year report as finding 2019-003. During our testing of officials bonds it was determined that the tax administrator's bond of \$50,000 is insufficient for her job duties. The fiscal court had occupational tax revenues in excess of \$2M for fiscal year 2020.

The fiscal court failed to obtain sufficient bonding for the county's tax administrator.

Having insufficient bonding fails to protect the county from misappropriation of assets or funds.

Good internal controls require that all county officials have sufficient bonding.

**HOPKINS COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2020
(Continued)**

Financial Statement Findings: (Continued)

2020-002 The Tax Administrator's Bond Is Insufficient (Continued)

We recommend that the fiscal court obtain sufficient bonding on the tax administrator to protect the county.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: HCFC has a new tax administrator and has \$250,000 bond on said tax admin.

2020-003 Hopkins County Fiscal Court Is Not Using The Purchase Order System Correctly

This is a repeat finding and was included in the prior year report as finding 2019-005. The Hopkins County Fiscal Court is creating purchase orders after the purchase has been made.

According to the treasurer, the county is using the purchase order number to buy items but is not filling out the hand-written purchase orders. The date the purchases are entered into the accounting system is the date that is printed on the purchase order.

By failing to properly use the purchase order system, the fiscal court is at risk of overspending the budget for individual line items and not being in compliance with the purchase order guidelines established by the Department of Local Government (DLG).

Good internal controls dictate that the purchase order system be used correctly to ensure there is sufficient budget for all purchases made. Also, the County Budget Preparation and State Local Officer Policy Manual requires that all purchases be approved by department head or judge executive before purchase is made.

We recommend that the fiscal court begin using the purchase order system correctly in order to have adequate controls and to be in compliance with the County Budget Preparation and State Local Officer Policy Manual.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Each department is responsible for completing their purchase orders. The purchase orders are assigned to the receipts when purchases are made. The purchase orders are entered into the accounting system. The date the purchase order is being entered into the accounting system defaults onto the purchase order. It is a clerical error when the date is not then changed to reflect the purchase date. The bookkeepers of each department are going to try to avoid this clerical error in the future.

2020-004 The Debt Schedules Do Not Agree With The Fourth Quarter Report

This is a repeat finding and was included in the prior year report as finding 2019-006 debt schedules for debt of the fiscal court does not agree to the fourth quarter report. For two debt items the interest reported on the fourth quarter report was less than what the debt schedules listed. Additionally, for one more debt item the principal reported on the fourth quarter report was more than what the debt schedule listed.

This issue exists due to a lack of good internal controls.

By not having an accurate fourth quarter report the fiscal courts financial position is stated incorrectly.

Good internal controls dictate that the fiscal court ensure they are reporting accurate debt information.

**HOPKINS COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2020
(Continued)**

Financial Statement Findings: (Continued)

2020-004 The Debt Schedules Do Not Agree With The Fourth Quarter Report (Continued)

We recommend that the fiscal court ensure the fourth quarter report contain the correct debt information.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Apparently, Enterprise changed their payment schedule and the one I have been using the entire time is now incorrect. I have revised the schedule I am using to match Enterprise.

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

HOPKINS COUNTY FISCAL COURT

For The Year Ended June 30, 2020

CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAM

HOPKINS COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2020

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



County Judge/Executive



County Treasurer