

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

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



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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

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

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Butler County Fiscal Court, for the year ended June 30, 2021, and the related notes to the financial statement, which collectively comprise the Butler County Fiscal Court's financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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



To the People of Kentucky
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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 Butler 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 Butler County Fiscal Court as of June 30, 2021, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

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

Other Matters

Supplementary and Other Information

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

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

To the People of Kentucky
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Other Matters (Continued)

Supplementary and Other Information (Continued)

In our opinion, the Budgetary Comparison Schedules and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the financial statement as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2022, on our consideration of the Butler 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 Butler County Fiscal Court's internal control over financial reporting and compliance.

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

- 2021-001 The Butler County Fiscal Court Did Not Prepare Purchase Orders On Many Expenditures In Accordance With KRS 68.210 And The *County Budget Preparation And State Local Finance Officer Policy Manual*, Issued By The Department For Local Government
- 2021-002 The Butler County Fiscal Court Submitted Ineligible Expenses For Reimbursement From The Coronavirus Relief Fund

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

June 2, 2022

BUTLER COUNTY OFFICIALS
For The Year Ended June 30, 2021

Fiscal Court Members:

Tim Flener	County Judge/Executive
Stevie Givens	Magistrate
David Whittinghill	Magistrate
Kevin Phelps	Magistrate
Timmy Givens	Magistrate
Dillon Bryant	Magistrate

Other Elected Officials:

Richard Deye	County Attorney
Ricky Romans	Jailer
Sherry Johnson	County Clerk
Melissa Cardwell	Circuit Court Clerk
Scottie Ward	Sheriff
Suzanne Brosnan	Property Valuation Administrator
Marty Jones	Coroner

Appointed Personnel:

Rebecca Jacobs	County Treasurer
LaDonna Nave	Financial Officer

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

For The Year Ended June 30, 2021

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

For The Year Ended June 30, 2021

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 2,069,879	\$	\$
In Lieu Tax Payments	109,162		
Excess Fees	299,969		
Licenses and Permits	4,019		
Intergovernmental	1,067,603	1,848,738	392,341
Charges for Services	4,910		91,258
Miscellaneous	118,076	51,500	32,520
Interest	6,402	66	
Total Receipts	<u>3,680,020</u>	<u>1,900,304</u>	<u>516,119</u>
DISBURSEMENTS			
General Government	1,325,665		
Protection to Persons and Property	583,035		697,195
General Health and Sanitation	275,712		
Social Services	36,167		
Recreation and Culture	20,425		
Roads		1,631,551	
Other Transportation Facilities and Services			
Debt Service	8,078	5,309	
Administration	352,947	217,208	263,044
Total Disbursements	<u>2,602,029</u>	<u>1,854,068</u>	<u>960,239</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,077,991</u>	<u>46,236</u>	<u>(444,120)</u>
Other Adjustments to Cash (Uses)			
Change In Payroll Revolving Account	7,243		
Transfers From Other Funds		157,008	425,000
Transfers To Other Funds	(697,008)		
Governmental Leasing Act Receipts		89,890	
Total Other Adjustments to Cash (Uses)	<u>(689,765)</u>	<u>246,898</u>	<u>425,000</u>
Net Change in Fund Balance	388,226	293,134	(19,120)
Fund Balance - Beginning	2,146,427	188,163	37,119
Fund Balance - Ending	<u>\$ 2,534,653</u>	<u>\$ 481,297</u>	<u>\$ 17,999</u>
Composition of Fund Balance			
Bank Balance	\$ 2,205,744	\$ 680,480	\$ 38,550
Payroll Revolving Account Reconciled Balance	33,921		
Plus: Deposits In Transit			
Less: Outstanding Checks	(105,012)	(199,183)	(20,551)
Certificates of Deposit	400,000		
Fund Balance - Ending	<u>\$ 2,534,653</u>	<u>\$ 481,297</u>	<u>\$ 17,999</u>

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

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

Budgeted Funds						
Local Government Economic Assistance Fund	Library Grant Fund	Community Development Block Grant Fund	Rochester Ferry Fund	Reeds Ferry Fund	E-911 Dispatch Fund	ARPA Fund
\$	\$	\$	\$	\$	\$ 40,005	\$
2,439			293,276	171,269		1,250,798
			25	29	172,990	
<u>2,439</u>			<u>293,301</u>	<u>171,298</u>	<u>212,995</u>	<u>26</u> <u>1,250,824</u>
6,000	13,505				207,036	
			217,588	79,809		
<u>6,000</u>	<u>13,505</u>		<u>48,898</u>	<u>46,999</u>	<u>94,909</u>	
			<u>266,486</u>	<u>126,808</u>	<u>301,945</u>	
<u>(3,561)</u>	<u>(13,505)</u>		<u>26,815</u>	<u>44,490</u>	<u>(88,950)</u>	<u>1,250,824</u>
					115,000	
					<u>115,000</u>	
(3,561)	(13,505)		26,815	44,490	26,050	1,250,824
4,542	13,505	100	311,728	273,364	32,825	
<u>\$ 981</u>	<u>\$ 0</u>	<u>\$ 100</u>	<u>\$ 338,543</u>	<u>\$ 317,854</u>	<u>\$ 58,875</u>	<u>\$ 1,250,824</u>
\$ 981	\$	\$ 100	\$ 343,739	\$ 322,160	\$ 60,722	\$ 1,250,824
			(5,196)	(4,306)	(1,847)	
<u>\$ 981</u>	<u>\$ 0</u>	<u>\$ 100</u>	<u>\$ 338,543</u>	<u>\$ 317,854</u>	<u>\$ 58,875</u>	<u>\$ 1,250,824</u>

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

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

	<u>Unbudgeted Funds</u>		
	<u>Public Properties Corporation Fund</u>	<u>Jail Commissary Fund</u>	<u>Total Funds</u>
RECEIPTS			
Taxes	\$	\$	\$ 2,109,884
In Lieu Tax Payments			109,162
Excess Fees			299,969
Licenses and Permits			4,019
Intergovernmental			5,026,464
Charges for Services			96,168
Miscellaneous		129,590	504,730
Interest			6,494
Total Receipts		<u>129,590</u>	<u>8,156,890</u>
DISBURSEMENTS			
General Government			1,546,206
Protection to Persons and Property			1,286,230
General Health and Sanitation			275,712
Social Services			36,167
Recreation and Culture		83,535	103,960
Roads			1,631,551
Other Transportation Facilities and Services			297,397
Debt Service			13,387
Administration			1,024,005
Total Disbursements		<u>83,535</u>	<u>6,214,615</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>46,055</u>	<u>1,942,275</u>
Other Adjustments to Cash (Uses)			
Payroll Revolving Account			7,243
Transfers From Other Funds			697,008
Transfers To Other Funds			(697,008)
Governmental Leasing Act Receipts			89,890
Total Other Adjustments to Cash (Uses)			<u>97,133</u>
Net Change in Fund Balance		46,055	2,039,408
Fund Balance - Beginning	4,309	26,692	3,038,774
Fund Balance - Ending	<u>\$ 4,309</u>	<u>\$ 72,747</u>	<u>\$ 5,078,182</u>
Composition of Fund Balance			
Bank Balance	\$ 4,309	\$ 77,698	\$ 4,985,307
Payroll Revolving Account Reconciled Balance			33,921
Plus: Deposits In Transit		747	747
Less: Outstanding Checks		(5,698)	(341,793)
Certificates of Deposit			400,000
Fund Balance - Ending	<u>\$ 4,309</u>	<u>\$ 72,747</u>	<u>\$ 5,078,182</u>

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

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TO THE FINANCIAL STATEMENT**

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BUTLER COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2021

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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

Library Grant Fund - The primary purpose of this fund is to account for the grants received and the related disbursements.

Community Development Block Grant (CDBG) Fund - The primary purpose of this fund is to account for the Grants received and the related disbursements.

Rochester Ferry Fund - The primary purpose of this fund is to account for the expenses of Rochester Ferry. The primary source of receipts is state payments received from the Transportation Cabinet.

Reeds Ferry Fund - The primary purpose of this fund is to account for the expenses of Reeds Ferry. The primary source of receipts is state payments received from the Transportation Cabinet

E-911 Dispatch Fund - The primary purpose of this fund is to account for the dispatch expenses of the county. The primary source of receipts for this fund is the 911 telephone surcharge.

ARPA Fund - The primary purpose of this fund is to account for American Recovery Act grant funds received from the federal government.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Public Properties Corporation Fund - The primary purpose of this fund is to account for the debt service requirements of debt issued for the purchase of land. The Department for Local Government does not require the fiscal court to budget this fund.

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.

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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information

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

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

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

E. Butler County Elected Officials

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

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

F. Deposits

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

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

G. Long-term Obligations

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

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

Note 2. Deposits

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

Custodial Credit Risk - Deposits

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

Note 3. Transfers

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

	General Fund	Total Transfers In
Road Fund	\$ 157,008	\$ 157,008
Jail Fund	425,000	425,000
E-911 Dispatch Fund	115,000	115,000
Total Transfers Out	<u>\$ 697,008</u>	<u>\$ 697,008</u>

Reason for transfers:

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

Note 4. Custodial Funds

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

The fiscal court has the following custodial fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2021 was \$4,302.

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

Note 5. Health Reimbursement Account/Flexible Spending Account

The Butler County Fiscal Court established a health reimbursement account (HRA) on April 22, 2009, to provide employees an additional health benefit. The county has contracted with a third-party administrator to administer the plan. The plan provides a debit card to each eligible employee providing an amount based upon health insurance selected by the employee each year to pay for qualified medical expenses. Employees may also contribute additional pre-tax funds through payroll deduction. The balance of the plan is \$161,378.

Note 6. Long-term Debt

A. Direct Borrowings and Direct Placements

1. Vehicle

On June 25, 2018, the Butler County Fiscal Court entered into an agreement with Magnolia Bank. The agreement was for the purchase of a truck for the sheriff's department. The principal was \$31,000 at a rate of 4.65 percent interest for a period of thirty-six months, with interest and principal due annually on July 1. Whenever any event of default has occurred and is continuing, the lessor may, without any further demand or notice, take one or any combination of the following remedial steps: (a) by written notice to lessee, declare an amount equal to the then applicable purchase price as set forth in the schedule of payments immediately due and payable; (b) with or without terminating this agreement, retake possession of the equipment and sell, lease or sublease it, or any item thereof, for the account of lessee, holding lessee liable for (i) all payment due up to the effective date of such selling, leasing or subleasing, and (ii) the difference, if any, between the purchase price, rental and other amounts paid by the lessee or sub lessee pursuant to such sale, lease or sublease and all amounts payable by lessee thereunder, including the then applicable purchase price; or (c) require lessee to deliver the equipment to lessor at any location within 75 miles of the city of Elizabethtown designated by lessor at lessee's sole risk, cost and expense and in the condition required by Section 7.01 of the agreement; or (d) take whatever other action at law or in equity may appear necessary or desirable to collect the payments then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of lessee under the agreement. At June 30, 2021, the outstanding principal was \$0.

2. Backhoe

On April 21, 2021, Butler County entered into an agreement with KACOLT in the amount of \$89,890 at 3.74 percent interest for the period of three years. The funds were used to finance the purchase of a backhoe. The backhoe purchased is held as security for this obligation. In the event of the lease termination, the fiscal court is to vacate or surrender the backhoe within seven days form the date of such notice. At June 30, 2021, the outstanding principal was \$85,509.

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 26,681	\$ 2,518
2023	30,167	1,687
2024	28,661	539
Totals	<u>\$ 85,509</u>	<u>\$ 4,744</u>

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

Note 6. Long-term Debt (Continued)

B. Changes In Long-term Debt

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

	Beginning Balance (Restated)	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 7,918	\$ 89,890	\$ 12,299	\$ 85,509	\$ 26,681
Total Long-term Debt	<u>\$ 7,918</u>	<u>\$ 89,890</u>	<u>\$ 12,299</u>	<u>\$ 85,509</u>	<u>\$ 26,681</u>

The prior year ending balance was restated by (\$7,566) due to an early payment made in the prior year.

C. Aggregate Debt Schedule

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

Fiscal Year Ended June 30	Direct Borrowings and Direct Placements	
	Principal	Interest
2022	26,681	2,518
2023	30,167	1,687
2024	28,661	539
Totals	<u>\$ 85,509</u>	<u>\$ 4,744</u>

Note 7. Commitment Debt

On January 29, 2020, the Butler County Fiscal Court and the Fourth District Volunteer Fire Department, Inc. jointly entered into an agreement with Morgantown Bank for the purchase of a brush truck for the fire department. The principal was \$27,666 at a rate of 4.25 percent interest for a period of five years, with interest and principal due in annual installments on December 5. The payments are being made by the Fourth District Volunteer Fire Department, Inc. Principal outstanding at June 30, 2020, was \$17,188.

Fiscal Year Ending June 30	Scheduled	
	Principal	Interest
2022	\$ 5,489	\$ 741
2023	5,726	504
2024	5,973	257
Totals	<u>\$ 17,188</u>	<u>\$ 1,502</u>

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

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. 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 Pensions Authority (KPPA) was created by KRS 61.505 to provide staffing and daily administrative needs for CERS and the Kentucky Retirement Systems. The nine (9) member board of trustees is responsible for the governance of the CERS pension and insurance plans.

The county's contribution for FY 2019 was \$460,943, FY 2020 was \$507,913, and FY 2021 was \$516,090.

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 Kentucky Retirement Systems 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 Kentucky Retirement Systems 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.

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:

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

Note 8. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (Continued)

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.

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.

C. Cost of Living Adjustments - Tier 1

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of Kentucky Retirement Systems 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.

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

Note 8. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

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, 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.

Kentucky Retirement Systems Annual Financial Report and Proportionate Share Audit Report

Kentucky Retirement Systems 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.

Note 9. Deferred Compensation

The Butler 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.

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

Note 10. Insurance

For the fiscal year ended June 30, 2021, the Butler 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. Related Party Transactions

During the fiscal year ended June 30, 2021 the county paid Flener's Main Street Collections a total of \$1,654 for various items. This business is owned by the county judge/executive's wife and daughter.

Note 12. Payroll Revolving Account

The reconciled balance of the payroll revolving account of \$7,243 as of June 30, 2021, was added to the general fund cash balance for financial reporting purposes.

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BUTLER COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2021

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BUTLER COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2021

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,305,300	\$ 1,305,300	\$ 2,069,879	\$ 764,579
In Lieu Tax Payments	100,000	100,000	109,162	9,162
Excess Fees	100,000	100,000	299,969	199,969
Licenses and Permits	3,000	3,000	4,019	1,019
Intergovernmental	731,831	1,364,099	1,067,603	(296,496)
Charges for Services	8,100	8,100	4,910	(3,190)
Miscellaneous	22,500	79,407	118,076	38,669
Interest	7,250	7,250	6,402	(848)
Total Receipts	<u>2,277,981</u>	<u>2,967,156</u>	<u>3,680,020</u>	<u>712,864</u>
DISBURSEMENTS				
General Government	1,301,437	1,496,805	1,325,665	171,140
Protection to Persons and Property	621,283	907,703	583,035	324,668
General Health and Sanitation	382,071	419,068	275,712	143,356
Social Services	48,673	56,173	36,167	20,006
Recreation and Culture	257,959	271,109	20,425	250,684
Roads		136,376		136,376
Debt Service		6,230	8,078	(1,848)
Capital Projects	164,619	164,619		164,619
Administration	446,973	489,438	352,947	136,491
Total Disbursements	<u>3,223,015</u>	<u>3,947,521</u>	<u>2,602,029</u>	<u>1,345,492</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(945,034)</u>	<u>(980,365)</u>	<u>1,077,991</u>	<u>2,058,356</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	91,810	91,810		(91,810)
Transfers To Other Funds	<u>(566,923)</u>	<u>(676,991)</u>	<u>(697,008)</u>	<u>(20,017)</u>
Total Other Adjustments to Cash (Uses)	<u>(475,113)</u>	<u>(585,181)</u>	<u>(697,008)</u>	<u>(111,827)</u>
Net Change in Fund Balance	(1,420,147)	(1,565,546)	380,983	1,946,529
Fund Balance - Beginning	<u>1,420,147</u>	<u>1,665,347</u>	<u>2,119,749</u>	<u>454,402</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 99,801</u>	<u>\$ 2,500,732</u>	<u>\$ 2,400,931</u>

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

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 1,859,088	\$ 1,859,088	\$ 1,848,738	\$ (10,350)
Charges for Services	32,503	32,503		(32,503)
Miscellaneous		46,343	51,500	5,157
Interest	1,000	1,000	66	(934)
Total Receipts	<u>1,892,591</u>	<u>1,938,934</u>	<u>1,900,304</u>	<u>(38,630)</u>
DISBURSEMENTS				
Roads	1,718,618	2,113,827	1,631,551	482,276
Debt Service		5,405	5,309	96
Administration	284,100	284,988	217,208	67,780
Total Disbursements	<u>2,002,718</u>	<u>2,404,220</u>	<u>1,854,068</u>	<u>550,152</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(110,127)</u>	<u>(465,286)</u>	<u>46,236</u>	<u>511,522</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds		40,068	157,008	116,940
Transfers To Other Funds	(91,810)	(91,810)		91,810
Governmental Leasing Act Receipts		89,890	89,890	
Total Other Adjustments to Cash (Uses)	<u>(91,810)</u>	<u>38,148</u>	<u>246,898</u>	<u>208,750</u>
Net Change in Fund Balance	(201,937)	(427,138)	293,134	720,272
Fund Balance - Beginning	<u>201,937</u>	<u>349,437</u>	<u>188,163</u>	<u>(161,274)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (77,701)</u>	<u>\$ 481,297</u>	<u>\$ 558,998</u>

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

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 402,120	\$ 402,120	\$ 392,341	\$ (9,779)
Charges for Services	108,072	108,072	91,258	(16,814)
Miscellaneous	35,800	35,800	32,520	(3,280)
Total Receipts	<u>545,992</u>	<u>545,992</u>	<u>516,119</u>	<u>(29,873)</u>
DISBURSEMENTS				
Protection to Persons and Property	766,365	777,030	697,195	79,835
Administration	283,125	288,960	263,044	25,916
Total Disbursements	<u>1,049,490</u>	<u>1,065,990</u>	<u>960,239</u>	<u>105,751</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(503,498)</u>	<u>(519,998)</u>	<u>(444,120)</u>	<u>75,878</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	503,498	503,498	425,000	(78,498)
Total Other Adjustments to Cash (Uses)	<u>503,498</u>	<u>503,498</u>	<u>425,000</u>	<u>(78,498)</u>
Net Change in Fund Balance		(16,500)	(19,120)	(2,620)
Fund Balance - Beginning			<u>37,119</u>	<u>37,119</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (16,500)</u>	<u>\$ 17,999</u>	<u>\$ 34,499</u>

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

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	<u>Budgeted Amounts</u>		<u>Actual Amounts, (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Intergovernmental	\$ 7,200	\$ 7,200	\$ 2,439	\$ (4,761)
Total Receipts	<u>7,200</u>	<u>7,200</u>	<u>2,439</u>	<u>(4,761)</u>
DISBURSEMENTS				
Protection to Persons and Property	7,200	7,200	6,000	1,200
Total Disbursements	<u>7,200</u>	<u>7,200</u>	<u>6,000</u>	<u>1,200</u>
Net Change in Fund Balance			(3,561)	(3,561)
Fund Balance - Beginning			<u>4,542</u>	<u>4,542</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 981</u>	<u>\$ 981</u>

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

	LIBRARY GRANT FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Total Receipts	\$	\$	\$	\$
DISBURSEMENTS				
General Government	13,505	13,505	13,505	
Total Disbursements	13,505	13,505	13,505	
Net Change in Fund Balance	(13,505)	(13,505)	(13,505)	
Fund Balance - Beginning	13,505	13,505	13,505	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

COMMUNITY DEVELOPMENT BLOCK GRANT FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Total Receipts	\$	\$	\$	\$
DISBURSEMENTS				
Administration	100	100		100
Total Disbursements	100	100		100
Net Change in Fund Balance	(100)	(100)		100
Fund Balance - Beginning	100	100	100	
Fund Balance - Ending	\$ 0	\$ 0	\$ 100	\$ 100

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

	ROCHESTER FERRY FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 277,000	\$ 277,000	\$ 293,276	\$ 16,276
Miscellaneous			25	25
Total Receipts	<u>277,000</u>	<u>277,000</u>	<u>293,301</u>	<u>16,301</u>
DISBURSEMENTS				
Other Transportation Facilities and Services	252,750	263,028	217,588	45,440
Administration	<u>62,775</u>	<u>53,447</u>	<u>48,898</u>	<u>4,549</u>
Total Disbursements	<u>315,525</u>	<u>316,475</u>	<u>266,486</u>	<u>49,989</u>
Net Change in Fund Balance	(38,525)	(39,475)	26,815	66,290
Fund Balance - Beginning	<u>38,525</u>	<u>38,525</u>	<u>311,728</u>	<u>273,203</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (950)</u>	<u>\$ 338,543</u>	<u>\$ 339,493</u>

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

REEDS FERRY FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 157,000	\$ 157,000	\$ 171,269	\$ 14,269
Miscellaneous			29	29
Total Receipts	<u>157,000</u>	<u>157,000</u>	<u>171,298</u>	<u>14,298</u>
DISBURSEMENTS				
Other Transportation Facilities and Services	90,525	99,075	79,809	19,266
Administration	66,475	58,875	46,999	11,876
Total Disbursements	<u>157,000</u>	<u>157,950</u>	<u>126,808</u>	<u>31,142</u>
Net Change in Fund Balance		(950)	44,490	45,440
Fund Balance - Beginning			<u>273,364</u>	<u>273,364</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (950)</u>	<u>\$ 317,854</u>	<u>\$ 318,804</u>

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

	E-911 DISPATCH FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 44,000	\$ 44,000	\$ 40,005	\$ 3,995
Miscellaneous	158,000	158,000	172,990	14,990
Total Receipts	<u>202,000</u>	<u>202,000</u>	<u>212,995</u>	<u>18,985</u>
DISBURSEMENTS				
General Government	177,150	220,605	207,036	13,569
Administration	88,275	118,520	94,909	23,611
Total Disbursements	<u>265,425</u>	<u>339,125</u>	<u>301,945</u>	<u>37,180</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(63,425)</u>	<u>(137,125)</u>	<u>(88,950)</u>	<u>48,175</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	63,425	133,425	115,000	(18,425)
Total Other Adjustments to Cash (Uses)	<u>63,425</u>	<u>133,425</u>	<u>115,000</u>	<u>(18,425)</u>
Net Change in Fund Balance		(3,700)	26,050	29,750
Fund Balance - Beginning			<u>32,825</u>	<u>32,825</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (3,700)</u>	<u>\$ 58,875</u>	<u>\$ 62,575</u>

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

	ARPA FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$	\$ 1,250,798	\$ 1,250,798	\$
Interest			26	26
Total Receipts		1,250,798	1,250,824	26
DISBURSEMENTS				
Administration		1,250,798		1,250,798
Total Disbursements		1,250,798		1,250,798
Net Change in Fund Balance			1,250,824	1,250,824
Fund Balance - Beginning				
Fund Balance - Ending	\$	0	\$ 1,250,824	\$ 1,250,824

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

June 30, 2021

Note 1. Budgetary Information

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

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

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

Note 2. Reconciliation of the General Fund

Total Adjustments to Cash- Budgetary Basis	\$ (697,008)
To adjust for Payroll Revolving Account	<u>7,243</u>
Total Adjustments to Cash - Regulatory Basis	<u>\$ (689,765)</u>
Ending Fund Balance - Budgetary Basis	\$ 2,500,732
To adjust for Payroll Revolving Account	<u>33,921</u>
Ending Fund Balance - Regulatory Basis	<u>\$ 2,534,653</u>

Note 3. Excess of Disbursements Over Appropriations

General fund debt service line item exceeded budgeted appropriations by \$1,848.

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BUTLER COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2021

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BUTLER COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity's Identifying Number	Provided to Subrecipient	Total Federal Expenditures
<u>U. S. Department of Transportation</u>				
<i>Direct Program</i>				
Highway Planning and Construction Cluster	20.205	NA	\$ _____	\$ 97,324
Total U.S. Department of Transportation			\$ _____	\$ 97,324
<u>U. S. Department of Treasury</u>				
<i>Passed-Through KY Department for Local Government</i>				
COVID-19 Coronavirus Relief Fund	21.019	2 112 2000004105	\$ _____	\$ 245,098
COVID-19 Coronavirus Relief Fund	21.019	2 112 2000001482	\$ _____	165,919
Total U.S. Department of Treasury			\$ _____	\$ 411,017
<u>U. S. Department of Homeland Security</u>				
<i>Passed-Through Kentucky Emergency Management:</i>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA 4428DR-KY	\$ _____	\$ 71,601
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA 4540DR-KY	\$ _____	5,721
Emergency Management Performance Grant	97.042	095 2100000605	\$ _____	12,662
Homeland Security Grant Program	97.067	094 2100000611	\$ _____	175,673
Homeland Security Grant Program	97.067	094 2100000921	\$ _____	118,400
Total U.S. Department of Homeland Security			\$ _____	384,057
Total Expenditures of Federal Awards			\$ _____	\$ 892,398

The accompanying notes are an integral part of this schedule

BUTLER COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2021

Note 1. Basis of Presentation

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

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

BUTLER COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2021

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BUTLER COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2021

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 486,933	\$	\$ 300	\$ 486,633
Buildings and Building Improvements	2,074,692		2,701	2,071,991
Other Equipment	2,446,597	701,023	104,329	3,043,291
Vehicles & Equipment	890,755	47,807	33,130	905,432
Infrastructure	8,248,483	834,172		9,082,655
 Total Capital Assets	 <u>\$ 14,147,460</u>	 <u>\$ 1,583,002</u>	 <u>\$ 140,460</u>	 <u>\$ 15,590,002</u>

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

June 30, 2021

Note 1. Capital Assets

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

	<u>Capitalization Threshold</u>	<u>Useful Life (Years)</u>
Land and Land Improvements	\$ 50,000	10-25
Buildings and Building Improvements	\$ 50,000	10-40
Equipment	\$ 15,000	10-40
Vehicles	\$ 15,000	5-10
Infrastructure	\$ 55,000	10-50

Note 2. Restatement of Capital Asset Beginning Balance

The prior year beginning balance was restated by \$338,916 for the overstatement of infrastructure assets in the prior year.

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Tim Flener, Butler County Judge/Executive
Members of the Butler County Fiscal Court

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

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Butler County Fiscal Court for the fiscal year ended June 30, 2021, and the related notes to the financial statement which collectively comprise the Butler County Fiscal Court's financial statement and have issued our report thereon dated June 2, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Butler 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 Butler County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Butler County Fiscal Court's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified a certain deficiency in internal control, which is described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency as item 2021-001.



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 Butler 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 no instances of noncompliance or other matter that is required to be reported under *Government Auditing Standards*.

Views of Responsible Officials and Planned Corrective Action

Butler 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,



Mike Harmon
Auditor of Public Accounts

June 2, 2022

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Tim Flener, Butler County Judge/Executive
Members of the Butler County Fiscal Court

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

Independent Auditor's Report

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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



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

Basis for Qualified Opinion on CFDA 21.019 COVID-19 - Coronavirus Relief Fund

As described in the accompanying Schedule of Findings and Questioned Costs, the Butler County Fiscal Court did not comply with requirements regarding CFDA 21.019 COVID-19 - Coronavirus Relief Fund as described in finding 2021-002 for activities allowed/unallowed. Compliance with such requirements is necessary, in our opinion, for the Butler County Fiscal Court to comply with the requirements applicable to that program.

Qualified Opinion on CFDA 21.019 COVID-19 - Coronavirus Relief Fund

In our opinion, because of the significance of the matter discussed in the Basis for Qualified Opinion paragraph, the Butler County Fiscal Court did not comply in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 21.019 COVID-19 - Coronavirus Relief Fund for the year ended June 30, 2021.

Report on Internal Control over Compliance

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

Other Matters

The results of our auditing procedures disclosed no other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance.

The Butler County Fiscal Court's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Butler County Fiscal Court's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

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 preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

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 deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2021-002 to be a material weakness.

The Butler County Fiscal Court's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Butler County Fiscal Court's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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

Respectfully submitted,

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Mike Harmon
Auditor of Public Accounts

June 2, 2022

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BUTLER COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2021

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BUTLER COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2021

Section I: Summary of Auditor's Results

Financial Statement

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

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

Identification of major programs:

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

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

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

Section II: Financial Statement Findings

2021-001 The Butler County Fiscal Court Did Not Prepare Purchase Orders On Many Expenditures In Accordance With KRS 68.210 And The *County Budget Preparation And State Local Finance Officer Policy Manual*, Issued By The Department For Local Government.

This is a repeat finding and was included in the prior year audit report as finding 2020-001. Many purchase orders were not issued by the Butler County Fiscal Court, and others were issued after the invoice date. Out of 79 expenditure transactions tested, 38 did not have a purchase order attached or created for the transaction. The Butler County Fiscal Court does not have controls in place to ensure purchase orders are required for every disbursement. Failure to maintain appropriate records for purchase orders could result in incorrect amounts or not having adequate funds or sufficient budget appropriations available.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The uniform system of accounts is set forth in the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual* which requires a purchase order system for all counties and each county is responsible for ensuring their purchase order system is executed and working properly. KRS 68.275 requires claims within budget line items and authorized by the fiscal court be paid by the county judge/executive and co-signed by the county treasurer.

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.

Proper internal controls over disbursements are important to ensure invoices are properly approved before the purchase is made, not after the purchase. It is also important to review the budget before the purchase to verify that there are funds available.

We recommend the fiscal court strengthen the purchasing procedures by requiring disbursements to have purchase orders submitted prior to approval in accordance with KRS 68.210 and KRS 68.275. All purchase orders should be completed properly with dates, amounts, account codes, and department head approvals to ensure purchases can be made if there are sufficient appropriations available within the amount of line items in the fiscal court's budget.

Views of Responsible Official and Planned Corrective Action:

County Judge Executive's Response: The fiscal court accounting software that is currently being used, [software name redacted], is due to update prior to the start of FY23. In this update, there are additional features that will allow for enhanced features with purchase orders. Purchase orders will be issued by the Finance Officer and required for all purchases.

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

Section III: Federal Award Findings And Questioned Costs

2021-002 The Butler County Fiscal Court Submitted Ineligible Expenses For Reimbursement From The Coronavirus Relief Fund

Federal Program: 21.109 COVID-19 Coronavirus Relief Fund

Award Number and Year: 2100000496, 2020 Reimbursement #2

Name of Federal Agency: U.S. Department of the Treasury

Pass-Through Agency: Commonwealth of Kentucky, Department for Local Government

Compliance Requirements: Activities Allowed/Unallowed

Type of Finding: Material Weakness

Amount of Questioned Costs: \$47,100

The Butler County Fiscal Court submitted payroll expenses that were already reimbursed for reimbursement from the Coronavirus Relief Fund (The Fund) administered by the Commonwealth of Kentucky's Department of Local Government (DLG). The ineligible expense was for the county sheriff department's school resource officer payroll that was paid between March 1, 2020, through October 9, 2020. Questioned costs were computed based on the cost of the county sheriff department's payroll for the periods between March 1, 2020, through June 30, 2020, and July 1, 2020, through October 9, 2020. The amount of the county sheriff's school resource officer's salaries gross payroll for the first period is \$27,219. The amount of the second period is \$19,881. The total sheriff school resource officer payroll reimbursed was \$47,100.

According to the county treasurer the county was unaware that the school resource officers' salaries were fully reimbursed by the school, and therefore this was an oversight. As a result, the county submitted payroll for reimbursement that was ineligible for reimbursement. This resulted in \$47,100 of questioned costs.

The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") established the Coronavirus Relief Fund (the "Fund") and appropriated \$150 billion for payments by Treasury to States, tribal governments, and certain local governments. The CARES Act provides that payments from the Fund may only be used to cover costs that—

1. are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19);
2. were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the State or government; and
3. were incurred during the period that begins on March 1, 2020, and ends on December 31, 2021.

Ineligible expenses include those reimbursed by other federal funds. Frequently Asked Questions incorporated in the Code of Federal Regulations state "Recipients may not use payments from the Fund to cover expenditures for which they will receive reimbursement".

Additionally, CFR 200.303 states: "The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award."

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

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

2021-002 The Butler County Fiscal Court Submitted Ineligible Expenses For Reimbursement From The Coronavirus Relief Fund (Continued)

We recommend the Butler County Fiscal Court contact DLG for guidance on how to resolve this issue. We also recommend the Butler County Fiscal Court strengthen controls over federal awards by implementing review processes to catch and resolve these matters going forward.

Views of Responsible Official and Planned Corrective Action:

County Judge Executive's Response: In the county's reimbursement request for CARES Funding, Butler County included School Resource Officer (SRO) payroll expense with the Sheriff Office payroll expense, as an allowable expense for CARES Funding. The SRO payroll expense is reimbursed by the local school district making it ineligible. However, Butler County had excess CARES Funding reimbursement expenses from other sources, so overall the county submitted enough allowable expenses to meet CARES Funding received. The county will contact Department for Local Government (DLG) for further guidance.

Section IV: Summary Schedule of Prior Audit Findings

None.

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

BUTLER COUNTY FISCAL COURT

For The Year Ended June 30, 2021

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CERTIFICATION OF COMPLIANCE

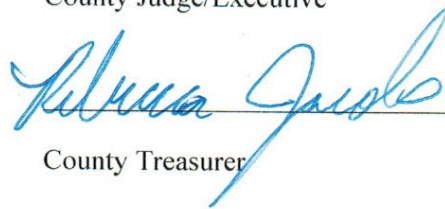
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
COUNTY FISCAL COURT

For The Year Ended June 30, 2021

The Butler 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 read "Tom Jones", written over a horizontal line.

County Judge/Executive

A handwritten signature in blue ink, appearing to read "Rebecca Jacobs", written over a horizontal line.

County Treasurer