

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

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



**MIKE HARMON
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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 Curtis Dame, McLean County Judge/Executive
Members of the McLean 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 McLean County Fiscal Court, for the year ended June 30, 2021, and the related notes to the financial statement, which collectively comprise the McLean 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.



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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 McLean 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 McLean 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 McLean 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 McLean 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
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Curtis Dame, McLean County Judge/Executive
Members of the McLean County Fiscal Court

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2022, on our consideration of the McLean 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 McLean 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, which discusses the following report findings:

- 2021-001 The McLean County Fiscal Court Failed To Approve All Cash Transfers
- 2021-002 The McLean County Treasurer Failed To Properly Reconcile The Payroll Revolving Account

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

February 16, 2022

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

Curtis Dame	County Judge/Executive
Robert Bishop	Magistrate
Matthew Hayden	Magistrate
Joseph Lowery	Magistrate
Lawrence Clay Troutman	Magistrate

Other Elected Officials:

Donna Dant	County Attorney
Christopher Ellis	Jailer
Carol Eaton	County Clerk
Stephanie King	Circuit Court Clerk
Kenneth Frizzell	Sheriff
Dale Ayer	Property Valuation Administrator
John Muster	Coroner

Appointed Personnel:

Belinda Stirsman	County Treasurer
Dana Mason	Finance Officer/Occupational Tax Administrator

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

For The Year Ended June 30, 2021

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

For The Year Ended June 30, 2021

	<u>Budgeted Funds</u>		
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
RECEIPTS			
Taxes	\$ 1,694,440	\$ 150,949	\$
Excess Fees	135,832		
Licenses and Permits	4,228		
Intergovernmental	228,936	1,770,115	77,416
Charges for Services	53,600		
Miscellaneous	205,955	78,892	1,868
Interest	388	335	20
Total Receipts	<u>2,323,379</u>	<u>2,000,291</u>	<u>79,304</u>
DISBURSEMENTS			
General Government	1,234,695	15,076	
Protection to Persons and Property	17,687		167,714
General Health and Sanitation	134,136	17,160	
Social Services	1,370		
Recreation and Culture	17,974		
Roads		1,450,520	
Debt Service	937,672	30,770	
Administration	712,628	169,707	28,328
Total Disbursements	<u>3,056,162</u>	<u>1,683,233</u>	<u>196,042</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(732,783)</u>	<u>317,058</u>	<u>(116,738)</u>
Other Adjustments to Cash (Uses)			
Financing Obligation Proceeds	615,312		
Bond Proceeds			
Cost of Issuance			
Change in Payroll Revolving Account	(47,293)		
Transfers From Other Funds	914,352		130,219
Transfers To Other Funds	(563,276)	(218,000)	
Total Other Adjustments to Cash (Uses)	<u>919,095</u>	<u>(218,000)</u>	<u>130,219</u>
Net Change in Fund Balance	186,312	99,058	13,481
Fund Balance - Beginning (Restated)	106,539	316,992	1,932
Fund Balance - Ending	<u>\$ 292,851</u>	<u>\$ 416,050</u>	<u>\$ 15,413</u>
Composition of Fund Balance			
Bank Balance	\$ 326,435	\$ 428,719	\$ 27,199
Payroll Revolving Account Reconciled Balance	(27,193)		
Plus: Deposits In Transit			
Less: Outstanding Checks	(6,391)	(14,029)	(11,786)
Certificates of Deposit		1,360	
Fund Balance - Ending	<u>\$ 292,851</u>	<u>\$ 416,050</u>	<u>\$ 15,413</u>

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

MCLEAN 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	State Grants Fund	Federal Grants Fund	Ambulance Fund	Fire Department Fund	Local Government Economic Development Fund	Eastern State Aid Fund	911 Fund
\$	\$	\$	\$	\$	\$	\$	\$ 26,577
93,295	45,565	1,554,562			404,830		152,292
			633,140				61,997
6,257			14,145				1,275
440			173	21			38
<u>99,992</u>	<u>45,565</u>	<u>1,554,562</u>	<u>647,458</u>	<u>21</u>	<u>404,830</u>		<u>242,179</u>
80,764			690,601				
42,588							294,473
25,827							
24,986			10,000				
1,086			245,531				88,251
<u>175,251</u>			<u>946,132</u>				<u>382,724</u>
<u>(75,259)</u>	<u>45,565</u>	<u>1,554,562</u>	<u>(298,674)</u>	<u>21</u>	<u>404,830</u>		<u>(140,545)</u>
			94,950		133,519		91,130
104,244			449,557		104,244		220,149
(119,244)	(45,565)	(425,869)	(418)		(642,593)	(33,042)	(136,695)
<u>(15,000)</u>	<u>(45,565)</u>	<u>(425,869)</u>	<u>544,089</u>		<u>(404,830)</u>	<u>(33,042)</u>	<u>174,584</u>
(90,259)		1,128,693	245,415	21		(33,042)	34,039
283,843		6,233	121,594	30,856		33,042	13,057
<u>\$ 193,584</u>	<u>\$ 0</u>	<u>\$ 1,134,926</u>	<u>\$ 367,009</u>	<u>\$ 30,877</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 47,096</u>
\$ 178,353	\$	\$ 1,134,924	\$ 367,924	\$ 30,877	\$	\$	\$ 47,177
		2					
(45)			(915)				(81)
<u>15,276</u>							
<u>\$ 193,584</u>	<u>\$ 0</u>	<u>\$ 1,134,926</u>	<u>\$ 367,009</u>	<u>\$ 30,877</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 47,096</u>

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

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

	Budgeted Funds				
	Western Fire Department Savings Fund	Senior Citizens Fund	Western Fire Department Fund	Central Fire Department Fund	Eastern Fire Department Fund
RECEIPTS					
Taxes	\$	\$	\$	\$	\$
Excess Fees					
Licenses and Permits					
Intergovernmental		79,135	11,000	21,000	14,200
Charges for Services			29,878	54,711	31,839
Miscellaneous		97	2,203	281	150
Interest		22	146	58	26
Total Receipts		<u>79,254</u>	<u>43,227</u>	<u>76,050</u>	<u>46,215</u>
DISBURSEMENTS					
General Government					
Protection to Persons and Property			26,324	27,841	7,481
General Health and Sanitation					
Social Services		143,465			
Recreation and Culture					
Roads					
Debt Service					
Administration		50,316			
Total Disbursements		<u>193,781</u>	<u>26,324</u>	<u>27,841</u>	<u>7,481</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>(114,527)</u>	<u>16,903</u>	<u>48,209</u>	<u>38,734</u>
Other Adjustments to Cash (Uses)					
Financing Obligation Proceeds					108,197
Bond Proceeds					
Cost of Issuance					
Change in Payroll Revolving Account					
Transfers From Other Funds		111,937	35,797	76,439	48,042
Transfers To Other Funds	(11,001)				
Total Other Adjustments to Cash (Uses)	<u>(11,001)</u>	<u>111,937</u>	<u>35,797</u>	<u>76,439</u>	<u>156,239</u>
Net Change in Fund Balance	(11,001)	(2,590)	52,700	124,648	194,973
Fund Balance - Beginning (Restated)	11,001	11,840	48,708	67,539	72,110
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 9,250</u>	<u>\$ 101,408</u>	<u>\$ 192,187</u>	<u>\$ 267,083</u>
Composition of Fund Balance					
Bank Balance	\$	\$ 11,175	\$ 87,871	\$ 177,675	\$ 267,123
Payroll Revolving Account Reconciled Balance					
Plus: Deposits In Transit					
Less: Outstanding Checks		(1,925)		(190)	(40)
Certificates of Deposit			13,537	14,702	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 9,250</u>	<u>\$ 101,408</u>	<u>\$ 192,187</u>	<u>\$ 267,083</u>

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

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

<u>Budgeted Funds</u>		<u>Unbudgeted Fund</u>	
<u>Southern Fire Department Fund</u>	<u>Southeastern Fire Department Fund</u>	<u>Justice Center Corporation Fund</u>	<u>Total Funds</u>
\$	\$	\$	\$ 1,871,966
			135,832
			4,228
10,000	10,500	244,187	4,717,033
29,326	16,545		911,036
1,935	3,201		316,259
17		3	1,687
<u>41,278</u>	<u>30,246</u>	<u>244,190</u>	<u>7,958,041</u>
			2,021,136
25,723	10,112		619,943
			151,296
			170,662
			17,974
			1,450,520
		1,521,406	2,524,834
			1,295,847
<u>25,723</u>	<u>10,112</u>	<u>1,521,406</u>	<u>8,252,212</u>
<u>15,555</u>	<u>20,134</u>	<u>(1,277,216)</u>	<u>(294,171)</u>
			1,043,108
		1,295,219	1,295,219
		(13,000)	(13,000)
			(47,293)
6,889	2,953		2,204,822
		(9,119)	(2,204,822)
<u>6,889</u>	<u>2,953</u>	<u>1,273,100</u>	<u>2,278,034</u>
22,444	23,087	(4,116)	1,983,863
28,722	11,327	4,116	1,169,451
<u>\$ 51,166</u>	<u>\$ 34,414</u>	<u>\$ 0</u>	<u>\$ 3,153,314</u>
\$ 51,166	\$ 34,454	\$	\$ 3,171,072
			(27,193)
			2
	(40)		(35,442)
			44,875
<u>\$ 51,166</u>	<u>\$ 34,414</u>	<u>\$ 0</u>	<u>\$ 3,153,314</u>

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

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TO THE FINANCIAL STATEMENT**

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**MCLEAN COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2021

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

MCLEAN 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.

State Grants Fund - The primary purpose of this fund is to account for state grants and related disbursements. The primary source of receipts for this fund is grants from the state government.

Federal Grants Fund - The primary purpose of this fund is to account for federal grants and related disbursements. The primary source of receipts for this fund is grants from the federal government.

Ambulance Fund - The primary purpose of this fund is to account for the county's ambulance services. The primary sources of receipts for this fund are grants and fees for services.

Fire Department Fund - The primary purpose of this fund is to account for the county's emergency services. However, in fiscal year 2020 the fiscal court established a separate fund for each fire department. The primary sources of receipts for this fund is interest earned on the bank account.

Local Government Economic Development Fund - The primary purpose of this fund is to account for activities of the county's effort for economic development. The primary source of receipts for this fund is state grants.

Eastern State Aid Fund - The primary purpose of this fund is to account for the county's emergency services. The primary sources of receipts for this fund are state grants.

911 Fund - The primary purpose of this fund is to account for the county's 911 services. The primary source of receipts for this fund is 911 surcharges.

Western Fire Department Savings Fund - The primary purpose of this fund is to account for the county's emergency services. The primary sources of receipts for this fund are state grants.

Senior Citizens Fund - The primary purpose of this fund is to account for the activity of the senior citizens center. The primary sources of receipts for this fund are grants and fees for meals.

Western Fire Department Fund - The primary purpose of this fund is to account for the county's emergency services. The primary sources of receipts for this fund are grants and fire dues.

Central Fire Department Fund - The primary purpose of this fund is to account for the county's emergency services. The primary sources of receipts for this fund are grants and fire dues.

Eastern Fire Department Fund - The primary purpose of this fund is to account for the county's emergency services. The primary sources of receipts for this fund are grants and fire dues.

Southern Fire Department Fund - The primary purpose of this fund is to account for the county's emergency services. The primary sources of receipts for this fund are grants and fire dues.

MCLEAN 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)

Southeastern Fire Department Fund - The primary purpose of this fund is to account for the county's emergency services. The primary sources of receipts for this fund are grants and fire dues.

Unbudgeted Fund

The fiscal court reports the following unbudgeted fund:

Justice Center 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.

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

E. McLean County Elected Officials

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments

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

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

G. Long-term Obligations

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

H. Jointly Governed Organizations and Joint Ventures

Regional governments or other multi-government arrangements that are governed by representatives from each of the governments that created the organization but are not joint ventures because the participants do not retain an ongoing financial interest or responsibility. Based on this criteria, the following are considered jointly governed organizations of the McLean Fiscal Court:

Four Star Regional Industrial Park
Green River Regional Industrial Development Authority (GRRIDA)
Paradise Industrial Park
McLean County Park Board
McLean County Cemetery Board

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based on this criteria, the following are considered joint ventures of the McLean Fiscal Court:

McLean Joint City - County Planning Commission
Connect GRADD

MCLEAN 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

Cash Transfers:

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

	General Fund	Road Fund	LGEA Fund	State Grants Fund	Federal Grants Fund	Ambulance Fund	LGEDF Fund	Eastern State Aid Fund	911 Fund	Western Fire Department Savings Fund	Justice Center Corporation Fund	Total Transfers In
General Fund	\$	\$ 218,000	\$	\$	\$ 145,708	\$	\$ 404,830	\$	\$ 136,695	\$	\$ 9,119	\$ 914,352
Jail Fund	130,219											130,219
LGEA Fund	104,244											104,244
Ambulance Fund	169,396				280,161							449,557
LGEDF Fund			104,244									104,244
911 Fund	101,065			45,565			73,519					220,149
Senior Citizens Fund	51,519					418	60,000					111,937
Western Fire Department Fund							24,796			11,001		35,797
Central Fire Department Fund							76,439					76,439
Eastern Fire Department Fund			15,000					33,042				48,042
Southern Fire Department Fund	6,833						56					6,889
Southeastern Fire Department Fund							2,953					2,953
Total Transfers Out	\$ 563,276	\$ 218,000	\$ 119,244	\$ 45,565	\$ 425,869	\$ 418	\$ 642,593	\$ 33,042	\$ 136,695	\$ 11,001	\$ 9,119	\$ 2,204,822

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. Also for the elimination of Eastern State Aid Fund and Western Fire Department Savings Fund into the Eastern Fire Department Fund and Western Fire Department Fund, respectively.

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

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:

Senior Citizens/GRADD Fund - This fund accounts for donations received from senior meals which are paid over to the Green River Area Development District (GRADD) on a monthly basis. The balance in the senior citizens/GRADD fund as of June 30, 2021 was \$12.

Note 5. Short-term Debt

A. Direct Borrowings and Direct Placements

1. Line of Credit - General Fund

On July 23, 2020, the McLean County Fiscal Court entered into an agreement with Farmers Bank and Trust Company in the amount of \$300,000 for a promissory note to be used as a line of credit. The interest rate is fixed at 4.00%. One payment of all outstanding principal plus all accrued unpaid interest is due on July 23, 2021. Regular quarterly payments of all accrued interest due as of each payment date, beginning October 23, 2020, with all subsequent interest payments to be due on the same day of each quarter after that. Upon default, including failure to pay upon final maturity, the total sum due under this note will continue to accrue interest at the interest rate under this note. Additionally, upon default, the lender may declare the entire unpaid principal balance under this note and all accrued unpaid interest immediately due, and the borrower will pay that amount. During fiscal year 2021, draws in the amount of \$888,158 were borrowed against this line of credit and \$888,158 has been paid in principal and \$4,774 in interest, as well as, a \$250 loan fee. The balance on the line of credit as of June 30, 2021 was \$0.

2. Line of Credit - Road Fund

On July 23, 2020, the McLean County Fiscal Court entered into an agreement with Farmers Bank and Trust Company in the amount of \$300,000 for a promissory note to be used as a line of credit. The interest rate is fixed at 4.00%. One payment of all outstanding principal plus all accrued unpaid interest is due on July 23, 2021. Regular quarterly payments of all accrued interest due as of each payment date, beginning October 23, 2020, with all subsequent interest payments to be due on the same day of each quarter after that. Upon default, including failure to pay upon final maturity, the total sum due under this note will continue to accrue interest at the interest rate under this note. Additionally, upon default, the lender may declare the entire unpaid principal balance under this note and all accrued unpaid interest immediately due, and the borrower will pay that amount. During fiscal year 2021, the fiscal court did not borrow against this line of credit. However, there was a \$250 loan fee that was paid by the fiscal court. The balance on the line of credit as of June 30, 2021 was \$0.

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

Note 5. Short-term Debt (Continued)

B. Changes In Short-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$	\$ 888,158	\$ 888,158	\$	\$
Total Short-term Debt	<u>\$ 0</u>	<u>\$ 888,158</u>	<u>\$ 888,158</u>	<u>\$ 0</u>	<u>\$ 0</u>

Note 6. Long-term Debt

A. Direct Borrowings and Direct Placements

1. Sewer Project

On July 26, 2001, the McLean County Fiscal Court entered into a lease agreement with Kentucky Association of Counties Leasing Trust in the amount of \$400,000 for the construction of and improvements to the McLean County sewer system. The interest rate is variable, with payments due monthly for twenty years. There are no moneys, sources of funds, securities or obligations that have been, or will be, pledged as collateral for the payment of principal of, premium, if any, or interest on the lease.

Whenever any event of default has occurred and is continuing, the lessor may (or upon the direction of the credit facility provider shall) or the credit facility provider may, without any further demand or notice, take one or any combination of the following remedial steps:

- (a) Terminate the lease term and file notice to the lessee to vacate or surrender the project within 60 days from the date of such notice;
- (b) Sell or re-lease the project or any portion thereof;
- (c) Recover from the lessee:
 - (i) The lease rental payments which would otherwise have been payable hereunder during any period in which the Lessee continues to use, occupy or retain possession of the project; and
 - (ii) Lease rental payments which would otherwise have been payable hereunder after the lessee vacates or surrenders the project during the remainder of the fiscal year in which such event of default occurs; or
- (d) Take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the project under this lease and any collateral documents (including, without limitation, the right to possession of the project and the right to sell or re-lease or otherwise dispose of the project in accordance with applicable law), subject, however, to the limitations contained in this lease with respect to the lessee's obligations upon the occurrence of an event of non-appropriation; and/or take whatever action at law or in equity may appear necessary or desirable to enforce performance by the lessee of the applicable covenants and agreements of the lessee under this lease (subject, however, to the limitation thereon contained in this lease) and to recover damages for the breach thereof.

The principal balance at June 30, 2021 was \$0.

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

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

2. Park Improvements

On September 8, 2008, the McLean County Fiscal Court entered into a lease agreement with Kentucky Association of Counties Leasing Trust in the amount of \$275,000 for the purpose of improving county parks. The interest rate is variable, with payments due monthly for 25 years. There are no moneys, sources of funds, securities or obligations that have been, or will be, pledged as collateral for the payment of principal of, premium, if any, or interest on the lease.

Whenever any event of default has occurred and is continuing, the lessor may (or upon the direction of the credit facility provider shall) or the credit facility provider may, without any further demand or notice, take one or any combination of the following remedial steps:

- (a) Terminate the lease term and file notice to the lessee to vacate or surrender the project within 60 days from the date of such notice;
- (b) Sell or re-lease the project or any portion thereof;
- (c) Recover from the lessee:
 - (i) The lease rental payments which would otherwise have been payable hereunder during any period in which the lessee continues to use, occupy or retain possession of the project; and
 - (ii) Lease rental payments which would otherwise have been payable hereunder after the lessee vacates or surrenders the project during the remainder of the fiscal year in which such event of default occurs; or
- (d) Take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the project under this lease and any collateral documents (including, without limitation, the right to possession of the project and the right to sell or re-lease or otherwise dispose of the project in accordance with applicable law), subject, however, to the limitations contained in this lease with respect to the lessee's obligations upon the occurrence of an event of non-appropriation; and/or take whatever action at law or in equity may appear necessary or desirable to enforce performance by the lessee of the applicable covenants and agreements of the lessee under this lease (subject, however, to the limitation thereon contained in this lease) and to recover damages for the breach thereof.

The principal balance at June 30, 2021 was \$128,861. Future interest and principal requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 10,000	\$ 7,597
2023	10,000	7,691
2024	10,000	7,072
2025	10,000	6,436
2026	10,000	5,816
2027-2031	65,000	18,788
2032	13,861	1,138
Totals	<u>\$ 128,861</u>	<u>\$ 54,538</u>

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

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

3. Courthouse Renovations Refinance

On November 30, 2012, the McLean County Fiscal Court entered into a lease agreement with Kentucky Association of Counties Leasing Trust in the amount of \$220,000 for the purpose of refinancing a lease agreement dated December 3, 2011, by and between the Kentucky Area Development Districts Financing Trust and the County of McLean County, Kentucky, proceeds of which were used to complete the renovations of the McLean County Courthouse. The interest rate is variable, with payments due until February 1, 2028. There are no moneys, sources of funds, securities or obligations that have been, or will be, pledged as collateral for the payment of principal of, premium, if any, or interest on the financing agreement.

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

The principal balance at June 30, 2021 was \$110,000. Future interest and principal requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 15,000	\$ 3,547
2023	15,000	3,195
2024	15,000	2,813
2025	15,000	2,400
2026	20,000	1,988
2027-2028	30,000	2,325
Totals	<u>\$ 110,000</u>	<u>\$ 16,268</u>

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

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

4. Excavator

On April 25, 2018, the McLean County Fiscal Court entered into a promissory note and loan agreement with First State Bank in the amount of \$115,858 for the purchase of an excavator for the road department. The interest rate is fixed at 2.99%. Payments of principal and interest are due monthly for 48 months. This note is secured by a 2018 excavator model 107728. Upon default, including failure to pay upon final maturity, the interest rate on this note shall be increased to 12.00% per annum. However, in no event will the interest rate exceed the maximum interest rate limitations under applicable law. Additionally, upon default, the lender may declare the entire unpaid principal balance under this note and all accrued unpaid interest immediately due, and the borrower will pay that amount. The principal balance at June 30, 2021 was \$25,239. Future interest and principal requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 25,239	\$ 392
Totals	<u>\$ 25,239</u>	<u>\$ 392</u>

5. Ambulance

On May 29, 2019, the McLean County Fiscal Court entered into a promissory note and loan agreement with First State Bank in the amount of \$90,741 for the purchase of an ambulance. The interest rate is fixed at 3.50%. Payments of principal and interest are due annually for five years with a final balloon payment due in the sixth year. This note is secured by a 2018 ambulance. Upon default, including failure to pay upon final maturity, the interest rate on this note shall be increased to 12.00% per annum. However, in no event will the interest rate exceed the maximum interest rate limitations under applicable law. Additionally, upon default, the lender may declare the entire unpaid principal balance under this note and all accrued unpaid interest immediately due, and the borrower will pay that amount. The principal balance at June 30, 2021 was \$74,273. Future interest and principal requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 7,372	\$ 2,628
2023	7,634	2,366
2024	7,906	2,094
2025	<u>51,361</u>	<u>1,405</u>
Totals	<u>\$ 74,273</u>	<u>\$ 8,493</u>

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

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

6. Eastern Fire Facility

On December 18, 2020, the McLean County Fiscal Court entered into a lease agreement with Kentucky Association of Counties Leasing Trust in the amount of \$60,000 for the construction of the Eastern Fire Department Facility. The interest rate is 3.49%, with payments due annually for five years.

Whenever any event of default referred to in section "12" has occurred and it's continuing, the lessor may, without any further demand or notice, take one of any combination of the following remedial steps:

Terminate the lease term and file notice to the lessee to vacate or surrender the equipment within 60 days from the date of such notice;

Exercise all the rights and remedies of a secured party under the Kentucky Uniform Commercial Code with respect to the equipment and may otherwise repossess and liquidate or realize or foreclose upon the equipment in lawful manner; provided, however, that the lessor may not recover from the lessee any deficiency which may exist following the liquidation of such property;

Sell or re-lease the project of any portion thereof;

Recover from the lessee:

- (1) The equipment payments which would otherwise have been payable hereunder during any period in which the lessee continues to use, occupy or retain possession of the equipment; and
- (2) Equipment payments which would otherwise have been payable by the lessee hereunder after the lessee vacates or surrenders the equipment during the remainder of the fiscal year in which such event of default occurs.

The principal balance at June 30, 2021 was \$60,000. Future interest and principal requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 11,132	\$ 2,170
2023	11,596	1,705
2024	12,000	1,301
2025	12,419	882
2026	12,853	448
Totals	<u>\$ 60,000</u>	<u>\$ 6,506</u>

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

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

7. Heart Monitors

On February 22, 2021, the McLean County Fiscal Court entered into a lease agreement with Kentucky Association of Counties Leasing Trust in the amount of \$94,950 for the purchase of heart monitors. The interest rate is 3.74%, with payments due annually for five years.

Whenever any event of default referred to in section "12" has occurred and it's continuing, the lessor may, without any further demand or notice, take one of any combination of the following remedial steps:

Terminate the lease term and file notice to the lessee to vacate or surrender the equipment within sixty (60) days from the date of such notice;

Exercise all the rights and remedies of a secured party under the Kentucky Uniform Commercial Code with respect to the equipment and may otherwise repossess and liquidate or realize or foreclose upon the equipment in lawful manner; provided, however, that the lessor may not recover from the lessee any deficiency which may exist following the liquidation of such property;

Sell or re-lease the project of any portion thereof;

Recover from the lessee:

- (1) The equipment payments which would otherwise have been payable hereunder during any period in which the lessee continues to use, occupy or retain possession of the equipment; and
- (2) Equipment payments which would otherwise have been payable by the lessee hereunder after the lessee vacates or surrenders the equipment during the remainder of the fiscal year in which such event of default occurs.

The principal balance at June 30, 2021 was \$94,950. Future interest and principal requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 18,017	\$ 3,048
2023	18,187	2,877
2024	18,868	2,197
2025	19,573	1,492
2026	20,305	759
Totals	<u>\$ 94,950</u>	<u>\$ 10,373</u>

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

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

8. First Mortgage Revenue Refunding Bonds, Series 2021A

On April 21, 2021, the McLean County Justice Center Corporation issued first mortgage revenue refunding bonds, series 2021A in the amount of \$1,295,219. These bonds were purchased directly by U. S. Bank, National Association (the lender). The bonds were dated April 21, 2021, payable semi-annually on March 1 and September 1, beginning September 1, 2021. The interest rate on the bonds is 1.32%. The McLean County Fiscal Court has a sublease with Administrative Office of the Courts, Commonwealth of Kentucky, for approximately 100% of the McLean County Judicial Center.

The facilities to be refinanced with the proceeds of the Bonds (the project) have been leased by the Corporation to the County and the Administrative Office of the Courts of the Commonwealth of Kentucky (AOC) pursuant to a contract, lease agreement and option dated as of April 1, 2021 (the lease) for an initial period from the date of issuance of the bonds until June 30, 2022. Under the lease, AOC is granted the exclusive option to renew the lease for each succeeding biennial period ending June 30 of each even numbered year at rentals sufficient to pay the bonds and interest thereon as same become due. The county is initially under no obligation to make rental payments under the lease, except from payments made by AOC. The county has agreed to operate, maintain, insure and repair the project so long as any of the bonds remain outstanding, but solely from payments to be made by AOC under the lease.

The bonds are secured by the amounts provided under the lease, and which lease has been assigned to U.S. Bank National Association, as lender, under an assignment of lease dated as of April 21, 2021, from the corporation to the lender and a loan agreement dated as of April 21, 2021. The loan agreement does not contain any default clauses.

The justice center corporation issued the bonds to refund the first mortgage refunding revenue bonds, series 2010. The refunding of the series 2010 bonds have been accomplished pursuant to the notice of full optional redemption by U.S. Bank, National Association, the paying agent for the series 2010 bonds (the escrow agent).

The principal balance at June 30, 2021 was \$1,295,219. Future interest and principal requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 139,518	\$ 14,722
2023	231,494	15,255
2024	227,375	12,200
2025	233,201	9,198
2026	232,680	6,120
2027	230,951	3,049
Totals	<u>\$ 1,295,219</u>	<u>\$ 60,544</u>

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

Note 6. Long-term Debt (Continued)

B. Other Debt

1. First Mortgage Refunding Revenue Bonds, Series 2010

On November 30, 2010, the McLean County Justice Center Corporation issued First Mortgage Refunding Revenue Bonds, Series 2010 in the amount of \$2,570,000. The bonds were dated November 30, 2010, payable semi-annually on March 1 and September 1, beginning March 1, 2011. The interest rate on the bonds ranges from 2.0% to 4.0%. The McLean County Fiscal Court has a sublease with Administrative Office of the Courts, Commonwealth of Kentucky, for approximately 100% of the McLean County Judicial Center. The bonds were issued in denominations of \$5,000 each or integral multiples thereof and mature at various dates beginning March 1, 2015 through March 1, 2027.

The fiscal court issued the bonds to refund the First Mortgage Revenue Bonds, Series 2001A due on or after March 1, 2011. The refunding of the series 2001A bonds have been accomplished pursuant to the escrow agreement by and between the county and U.S. Bank, National Association, the paying agent for the series 2001A bonds (the “escrow agent”) by depositing with the escrow agent a sum of initial cash provided from the proceeds of the bonds.

Amounts deposited with the Escrow agent bear interest at such rates and will be scheduled to mature at such times and in such amounts so that, when paid according to their respective terms, sufficient moneys together with any amounts of cash then on deposit with the escrow agent, will be available to fully provide for the scheduled principal and interest payments outstanding for the series 2001A bonds.

In order to secure the payment of the principal of, interest on, and premium, if any, on the bonds, the corporation has executed a mortgage to the trustee for the security, benefit and protection of the owners of the bonds, as a first priority mortgage lien upon the project site, together with all improvements constructed and installed thereon constituting the project and, pursuant to the mortgage, all rights, title and interest of the corporation in and to the lease, the proceeds of the bonds, the project, the pledged receipts, as defined in the mortgage, and all payments to be made by the county and/or AOC, pursuant to the lease (except the operating cost allowance) shall be, upon issuance of the bonds, assigned by the corporation to the trustee.

Upon the happening and continuance of any event of default to protect and enforce its rights and the rights of the owners of the bonds by such of the following remedies, as the trustee, being advised by counsel, will deem most effectual to protect and enforce such rights:

- (a) by enforcement of the foreclosable mortgage lien on the project site and improvements granted by the mortgage, and in such event the trustee will take over possession, custody and control of the project and will operate or carry out decretal sale of same with due regard to state and federal law and the covenants contained in the lease for the benefit of the owners of the bonds. provided, however, that no such foreclosure sale will result in a deficiency judgment of any type or in any amount against AOC, the county or the corporation, and until such sale the county may at any time by the discharge of the bonds and interest and any premium thereon receive an unencumbered fee simple title to the mortgaged facilities; provided that in the event of any such enforcement of said lien by the trustee, there will first be paid all expenses incident to said document, and thereafter the bonds then outstanding will be paid and retired;
- (b) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the owners of the bonds, including the right to require the corporation to enforce fully the lease and to charge, collect and fully account for the pledged receipts, and to require the corporation to carry out any and all other covenants or agreements with the bondholders and to perform its duties under the act;
- (c) by bringing suit upon the bonds;

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

Note 6. Long-term Debt (Continued)

B. Other Debt (Continued)

1. First Mortgage Refunding Revenue Bonds, Series 2010 (Continued)

- (d) by action or suit in equity, require the corporation to account as if it were the trustee of an express trust for the owners of the bonds;
- (e) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the owners of the bonds;
- (f) by declaring all bonds due and payable, and if all defaults will be made good, then, with the written consent of the owners of not less than twenty-five percent (25%) in a principal amount of the outstanding bonds, by annulling such declaration and its consequences; and
- (g) in the event that all bonds are declared due and payable, by selling investment obligations of the corporation (to the extent not theretofore set aside for redemption of the bonds for which call has been made), and enforcing all chooses in action of the corporation to the fullest legal extent in the name of the corporation for the use and benefit of the owners of the bonds.

The McLean County Justice Center Corporation issued First Mortgage Revenue Refunding Bonds, Series 2021A to refund the Series 2010 bonds.

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	\$ 226,278	\$ 34,105
2023	293,911	33,089
2024	291,149	27,676
2025	341,554	21,813
2026	295,838	15,131
2027-2031	325,951	24,161
2032	13,861	1,139
Totals	<u>\$ 1,788,542</u>	<u>\$ 157,114</u>

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

Note 6. Long-term Debt (Continued)

D. Changes In Long-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 434,640	\$ 1,450,169	\$ 96,267	\$ 1,788,542	\$ 226,278
Revenue Bonds	1,460,000		1,460,000		
Total Long-term Debt	<u>\$ 1,894,640</u>	<u>\$ 1,450,169</u>	<u>\$ 1,556,267</u>	<u>\$ 1,788,542</u>	<u>\$ 226,278</u>

Note 7. Commitment Debt

The McLean County Fiscal Court entered into an interlocal and joint ownership agreement with the City of Sacramento on August 28, 2020. As part of this agreement, the McLean County Fiscal Court has agreed to pay the unsecured debt at Sacramento Deposit Bank according to the terms of the note from Southern District's fire fund account. This indebtedness was incurred towards the construction (fire station) on the improvements to the real property. The current outstanding balance of the note at June 30, 2021 was \$32,545.

Note 8. Employee Retirement System

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Effective April 1, 2021, the Kentucky Retirement Systems as an agency of the Commonwealth is now known as the Kentucky Public Pensions Authority (KPPA). The governance of CERS has been transferred to a separate 9-member board of trustees that is responsible for the governance of the CERS pension and insurance plans.

The county's contribution for FY 2019 was \$435,964, FY 2020 was \$434,675, and FY 2021 was \$542,469.

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.

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

Note 8. Employee Retirement System (Continued)

Nonhazardous (Continued)

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

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

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

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.

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

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

Note 8. 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, 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.

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 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.

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

Note 9. Deferred Compensation

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

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

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

Note 10. Insurance

For the fiscal year ended June 30, 2021, the McLean 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. Subsequent Events

- A. On July 27, 2021, the McLean County Fiscal Court entered into an agreement with Farmers Bank and Trust Company in the amount of \$499,000 for operating purposes. To date, \$45,023 has been borrowed against this line of credit, and \$45,023 has been paid in principal and \$376 in interest. The balance on the line of credit as of February 8, 2022 was \$0.
- B. On February 10, 2022, the McLean County Fiscal Court issued energy savings project bonds in the amount of \$850,000. These bonds will be repaid over 14 years at an interest rate of 2.85%.

Note 12. Related Party Transaction

The McLean County Fiscal Court paid \$900 for fiscal year June 30, 2021 to a lawn care business owned by a magistrate's son.

Note 13. Payroll Revolving Account

The change in the balance of the payroll revolving account of (\$47,293), as of June 30, 2021, was added to the general fund cash balance for financial reporting purposes.

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

Note 14. Loan From Restricted Funds

	Beginning Balance Due To Restricted Funds	Payments Made To Restricted Funds	Ending Balance Due To Restricted Funds
Road Fund	\$ 939,024	\$	\$ 939,024
Fire Department Fund	70,969	70,969	
Total Loaned From Restricted Funds	<u>\$ 1,009,993</u>	<u>\$ 70,969</u>	<u>\$ 939,024</u>

Beginning in fiscal 2016 through fiscal year 2019, the former county treasurer made transfers from restricted funds and failed to repay these loans made from the restricted funds.

Note 15. Prior Period Adjustments

	General Fund	Ambulance Fund
Ending Fund Balances Prior Year	\$ 106,200	\$ 121,444
Prior Year Voided Checks	339	150
Beginning Fund Balances Restated	<u>\$ 106,539</u>	<u>\$ 121,594</u>

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

For The Year Ended June 30, 2021

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MCLEAN 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	\$ 1,644,500	\$ 1,794,008	\$ 1,694,440	\$ (99,568)
Excess Fees	52,000	135,832	135,832	
Licenses and Permits	3,500	3,647	4,228	581
Intergovernmental	248,372	252,940	228,936	(24,004)
Charges for Services	51,900	51,900	53,600	1,700
Miscellaneous	208,400	242,762	205,955	(36,807)
Interest	3,250	3,349	388	(2,961)
Total Receipts	<u>2,211,922</u>	<u>2,484,438</u>	<u>2,323,379</u>	<u>(161,059)</u>
DISBURSEMENTS				
General Government	1,266,065	1,325,601	1,234,695	90,906
Protection to Persons and Property	21,321	21,945	17,687	4,258
General Health and Sanitation	151,000	156,835	134,136	22,699
Social Services	5,500	5,500	1,370	4,130
Recreation and Culture	35,200	22,800	17,974	4,826
Debt Service	553,500	942,342	937,672	4,670
Administration	636,862	778,281	712,628	65,653
Total Disbursements	<u>2,669,448</u>	<u>3,253,304</u>	<u>3,056,162</u>	<u>197,142</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(457,526)</u>	<u>(768,866)</u>	<u>(732,783)</u>	<u>36,083</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds	499,000	575,632	615,312	39,680
Transfers From Other Funds	222,500	368,208	914,352	546,144
Transfers To Other Funds	(303,974)	(303,974)	(563,276)	(259,302)
Total Other Adjustments to Cash (Uses)	<u>417,526</u>	<u>639,866</u>	<u>966,388</u>	<u>326,522</u>
Net Change in Fund Balance	(40,000)	(129,000)	233,605	362,605
Fund Balance - Beginning (Restated)	<u>40,000</u>	<u>40,000</u>	<u>86,439</u>	<u>46,439</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (89,000)</u>	<u>\$ 320,044</u>	<u>\$ 409,044</u>

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

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 126,000	\$ 142,585	\$ 150,949	\$ 8,364
Intergovernmental	1,566,700	1,839,083	1,770,115	(68,968)
Miscellaneous	500	70,542	78,892	8,350
Interest	500	500	335	(165)
Total Receipts	<u>1,693,700</u>	<u>2,052,710</u>	<u>2,000,291</u>	<u>(52,419)</u>
DISBURSEMENTS				
General Government	14,400	15,085	15,076	9
General Health and Sanitation	19,597	19,597	17,160	2,437
Roads	1,262,231	1,647,556	1,450,520	197,036
Debt Service	530,000	530,000	30,770	499,230
Administration	263,972	236,972	169,707	67,265
Total Disbursements	<u>2,090,200</u>	<u>2,449,210</u>	<u>1,683,233</u>	<u>765,977</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(396,500)</u>	<u>(396,500)</u>	<u>317,058</u>	<u>713,558</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	499,000	499,000		(499,000)
Transfers To Other Funds	<u>(222,500)</u>	<u>(222,500)</u>	<u>(218,000)</u>	<u>4,500</u>
Total Other Adjustments to Cash (Uses)	<u>276,500</u>	<u>276,500</u>	<u>(218,000)</u>	<u>(494,500)</u>
Net Change in Fund Balance	(120,000)	(120,000)	99,058	219,058
Fund Balance - Beginning	<u>120,000</u>	<u>120,000</u>	<u>316,992</u>	<u>196,992</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 416,050</u>	<u>\$ 416,050</u>

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

	JAIL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 81,200	\$ 81,200	\$ 77,416	\$ (3,784)
Miscellaneous	8,500	8,500	1,868	(6,632)
Interest	20	20	20	
Total Receipts	<u>89,720</u>	<u>89,720</u>	<u>79,304</u>	<u>(10,416)</u>
DISBURSEMENTS				
Protection to Persons and Property	192,306	190,691	167,714	22,977
Administration	28,571	30,186	28,328	1,858
Total Disbursements	<u>220,877</u>	<u>220,877</u>	<u>196,042</u>	<u>24,835</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(131,157)</u>	<u>(131,157)</u>	<u>(116,738)</u>	<u>14,419</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	131,157	131,157	130,219	(938)
Total Other Adjustments to Cash (Uses)	<u>131,157</u>	<u>131,157</u>	<u>130,219</u>	<u>(938)</u>
Net Change in Fund Balance			13,481	13,481
Fund Balance - Beginning			<u>1,932</u>	<u>1,932</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 15,413</u>	<u>\$ 15,413</u>

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

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 200,000	\$ 200,000	\$ 93,295	\$ (106,705)
Miscellaneous	1,000	1,000	6,257	5,257
Interest	250	250	440	190
Total Receipts	<u>201,250</u>	<u>201,250</u>	<u>99,992</u>	<u>(101,258)</u>
DISBURSEMENTS				
General Government	105,000	92,600	80,764	11,836
Protection to Persons and Property	53,000	50,250	42,588	7,662
Social Services	19,300	31,350	25,827	5,523
Recreation and Culture	3,000			
Debt Service	20,950	25,950	24,986	964
Administration		152,402	1,086	151,316
Total Disbursements	<u>201,250</u>	<u>352,552</u>	<u>175,251</u>	<u>177,301</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>(151,302)</u>	<u>(75,259)</u>	<u>76,043</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			104,244	104,244
Transfers To Other Funds			<u>(119,244)</u>	<u>(119,244)</u>
Total Other Adjustments to Cash (Uses)			<u>(15,000)</u>	<u>(15,000)</u>
Net Change in Fund Balance		(151,302)	(90,259)	61,043
Fund Balance - Beginning		<u>151,302</u>	<u>283,843</u>	<u>132,541</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 193,584</u>	<u>\$ 193,584</u>

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

	STATE GRANTS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$	\$	\$ 45,565	\$ 45,565
Total Receipts			45,565	45,565
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			45,565	45,565
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(45,565)	(45,565)
Total Other Adjustments to Cash (Uses)			(45,565)	(45,565)
Net Change in Fund Balance				
Fund Balance - Beginning				
Fund Balance - Ending	\$	0	\$	0
			\$	0
			\$	0

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

	FEDERAL GRANTS FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$	\$ 1,319,626	\$ 1,554,562	\$ 234,936
Total Receipts		1,319,626	1,554,562	234,936
DISBURSEMENTS				
Administration		894,176		894,176
Total Disbursements		894,176		894,176
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		425,450	1,554,562	1,129,112
Other Adjustments to Cash (Uses)				
Transfers To Other Funds		(425,450)	(425,869)	(419)
Total Other Adjustments to Cash (Uses)		(425,450)	(425,869)	(419)
Net Change in Fund Balance			1,128,693	1,128,693
Fund Balance - Beginning			6,233	6,233
Fund Balance - Ending	\$	0	\$ 1,134,926	\$ 1,134,926

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

	AMBULANCE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Charges for Services	\$ 570,000	\$ 570,000	\$ 633,140	\$ 63,140
Miscellaneous	500	500	14,145	13,645
Interest	50	50	173	123
Total Receipts	<u>570,550</u>	<u>570,550</u>	<u>647,458</u>	<u>76,908</u>
DISBURSEMENTS				
General Government	589,300	716,308	690,601	25,707
Debt Service	10,000	10,000	10,000	
Administration	257,500	410,184	245,531	164,653
Total Disbursements	<u>856,800</u>	<u>1,136,492</u>	<u>946,132</u>	<u>190,360</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(286,250)</u>	<u>(565,942)</u>	<u>(298,674)</u>	<u>267,268</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds		94,950	94,950	
Transfers From Other Funds	186,250	465,992	449,557	(16,435)
Transfers To Other Funds			(418)	(418)
Total Other Adjustments to Cash (Uses)	<u>186,250</u>	<u>560,942</u>	<u>544,089</u>	<u>(16,853)</u>
Net Change in Fund Balance	(100,000)	(5,000)	245,415	250,415
Fund Balance - Beginning (Restated)	<u>100,000</u>	<u>100,000</u>	<u>121,594</u>	<u>21,594</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 95,000</u>	<u>\$ 367,009</u>	<u>\$ 272,009</u>

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

FIRE DEPARTMENT FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$	\$	\$ 21	\$ 21
Total Receipts			21	21
DISBURSEMENTS				
Administration		30,856		30,856
Total Disbursements		30,856		30,856
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(30,856)	21	30,877
Net Change in Fund Balance		(30,856)	21	30,877
Fund Balance - Beginning		30,856	30,856	
Fund Balance - Ending	\$	0	\$ 30,877	\$ 30,877

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

LOCAL GOVERNMENT ECONOMIC DEVELOPMENT FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 481,462	\$ 481,462	\$ 404,830	\$ (76,632)
Interest	150	150		(150)
Total Receipts	<u>481,612</u>	<u>481,612</u>	<u>404,830</u>	<u>(76,782)</u>
DISBURSEMENTS				
Administration	150	150		150
Total Disbursements	<u>150</u>	<u>150</u>		<u>150</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>481,462</u>	<u>481,462</u>	<u>404,830</u>	<u>(76,632)</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds			133,519	133,519
Transfers From Other Funds			104,244	104,244
Transfers To Other Funds	(481,462)	(481,462)	(642,593)	(161,131)
Total Other Adjustments to Cash (Uses)	<u>(481,462)</u>	<u>(481,462)</u>	<u>(404,830)</u>	<u>76,632</u>
Net Change in Fund Balance				
Fund Balance - Beginning				
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

EASTERN STATE AID FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	\$	\$ (33,042)	\$ (33,042)	\$
Total Other Adjustments to Cash (Uses)		(33,042)	(33,042)	
Net Change in Fund Balance		(33,042)	(33,042)	
Fund Balance - Beginning		33,042	33,042	
Fund Balance - Ending	\$	0	\$	\$
	0	0	0	0

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

	911 FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 32,000	\$ 32,000	\$ 26,577	\$ (5,423)
Intergovernmental	150,000	150,000	152,292	2,292
Charges for Services		35,490	61,997	26,507
Miscellaneous			1,275	1,275
Interest	15	38	38	
Total Receipts	<u>182,015</u>	<u>217,528</u>	<u>242,179</u>	<u>24,651</u>
DISBURSEMENTS				
Protection to Persons and Property	236,260	297,098	294,473	2,625
Administration	96,000	116,240	88,251	27,989
Total Disbursements	<u>332,260</u>	<u>413,338</u>	<u>382,724</u>	<u>30,614</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(150,245)</u>	<u>(195,810)</u>	<u>(140,545)</u>	<u>55,265</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds		45,565	91,130	45,565
Transfers From Other Funds	150,245	150,245	220,149	69,904
Transfers To Other Funds			(136,695)	(136,695)
Total Other Adjustments to Cash (Uses)	<u>150,245</u>	<u>195,810</u>	<u>174,584</u>	<u>(21,226)</u>
Net Change in Fund Balance			34,039	34,039
Fund Balance - Beginning			<u>13,057</u>	<u>13,057</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 47,096</u>	<u>\$ 47,096</u>

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

WESTERN FIRE DEPARTMENT SAVINGS FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	\$	\$ (11,001)	\$ (11,001)	\$
Total Other Adjustments to Cash (Uses)		(11,001)	(11,001)	
Net Change in Fund Balance		(11,001)	(11,001)	
Fund Balance - Beginning		11,001	11,001	
Fund Balance - Ending	\$	\$ 0	\$ 0	\$ 0

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

	SENIOR CITIZENS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 28,000	\$ 66,887	\$ 79,135	\$ 12,248
Miscellaneous	1,150	1,150	97	(1,053)
Interest	10	21	22	1
Total Receipts	<u>29,160</u>	<u>68,058</u>	<u>79,254</u>	<u>11,196</u>
DISBURSEMENTS				
Social Services	137,916	150,955	143,465	7,490
Administration	49,300	75,159	50,316	24,843
Total Disbursements	<u>187,216</u>	<u>226,114</u>	<u>193,781</u>	<u>32,333</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(158,056)</u>	<u>(158,056)</u>	<u>(114,527)</u>	<u>43,529</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	158,056	158,056	111,937	(46,119)
Total Other Adjustments to Cash (Uses)	<u>158,056</u>	<u>158,056</u>	<u>111,937</u>	<u>(46,119)</u>
Net Change in Fund Balance			(2,590)	(2,590)
Fund Balance - Beginning			<u>11,840</u>	<u>11,840</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 9,250</u>	<u>\$ 9,250</u>

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

WESTERN FIRE DEPARTMENT FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 16,000	\$ 16,000	\$ 11,000	\$ (5,000)
Charges for Services	28,000	28,000	29,878	1,878
Miscellaneous	1,100	1,100	2,203	1,103
Interest	50	50	146	96
Total Receipts	<u>45,150</u>	<u>45,150</u>	<u>43,227</u>	<u>(1,923)</u>
DISBURSEMENTS				
Protection to Persons and Property	47,550	65,251	26,324	38,927
Administration	42,396	35,696		35,696
Total Disbursements	<u>89,946</u>	<u>100,947</u>	<u>26,324</u>	<u>74,623</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(44,796)</u>	<u>(55,797)</u>	<u>16,903</u>	<u>72,700</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	24,796	35,797	35,797	
Total Other Adjustments to Cash (Uses)	<u>24,796</u>	<u>35,797</u>	<u>35,797</u>	
Net Change in Fund Balance	(20,000)	(20,000)	52,700	72,700
Fund Balance - Beginning	<u>20,000</u>	<u>20,000</u>	<u>48,708</u>	<u>28,708</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 101,408</u>	<u>\$ 101,408</u>

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

CENTRAL FIRE DEPARTMENT FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 16,000	\$ 26,000	\$ 21,000	\$ (5,000)
Charges for Services	55,000	55,000	54,711	(289)
Miscellaneous	2,100	2,100	281	(1,819)
Interest	50	50	58	8
Total Receipts	<u>73,150</u>	<u>83,150</u>	<u>76,050</u>	<u>(7,100)</u>
DISBURSEMENTS				
Protection to Persons and Property	36,680	56,680	27,841	28,839
Administration	155,366	145,366		145,366
Total Disbursements	<u>192,046</u>	<u>202,046</u>	<u>27,841</u>	<u>174,205</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(118,896)</u>	<u>(118,896)</u>	<u>48,209</u>	<u>167,105</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	76,439	76,439	76,439	
Total Other Adjustments to Cash (Uses)	<u>76,439</u>	<u>76,439</u>	<u>76,439</u>	
Net Change in Fund Balance	(42,457)	(42,457)	124,648	167,105
Fund Balance - Beginning	<u>42,457</u>	<u>42,457</u>	<u>67,539</u>	<u>25,082</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 192,187</u>	<u>\$ 192,187</u>

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

EASTERN FIRE DEPARTMENT FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 11,000	\$ 11,000	\$ 14,200	\$ 3,200
Charges for Services	32,000	32,000	31,839	(161)
Miscellaneous	100	100	150	50
Interest	50	50	26	(24)
Total Receipts	<u>43,150</u>	<u>43,150</u>	<u>46,215</u>	<u>3,065</u>
DISBURSEMENTS				
Protection to Persons and Property	18,420	20,920	7,481	13,439
Administration	139,344	278,083		278,083
Total Disbursements	<u>157,764</u>	<u>299,003</u>	<u>7,481</u>	<u>291,522</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(114,614)</u>	<u>(255,853)</u>	<u>38,734</u>	<u>294,587</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds		108,197	108,197	
Transfers From Other Funds	<u>48,651</u>	<u>81,693</u>	<u>48,042</u>	<u>(33,651)</u>
Total Other Adjustments to Cash (Uses)	<u>48,651</u>	<u>189,890</u>	<u>156,239</u>	<u>(33,651)</u>
Net Change in Fund Balance	(65,963)	(65,963)	194,973	260,936
Fund Balance - Beginning	<u>65,963</u>	<u>65,963</u>	<u>72,110</u>	<u>6,147</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 267,083</u>	<u>\$ 267,083</u>

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

SOUTHERN FIRE DEPARTMENT FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 11,000	\$ 21,000	\$ 10,000	\$ (11,000)
Charges for Services	28,000	28,000	29,326	1,326
Miscellaneous	100	100	1,935	1,835
Interest	50	50	17	(33)
Total Receipts	<u>39,150</u>	<u>49,150</u>	<u>41,278</u>	<u>(7,872)</u>
DISBURSEMENTS				
Protection to Persons and Property	16,377	41,695	25,723	15,972
Administration	47,662	32,344		32,344
Total Disbursements	<u>64,039</u>	<u>74,039</u>	<u>25,723</u>	<u>48,316</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(24,889)</u>	<u>(24,889)</u>	<u>15,555</u>	<u>40,444</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	6,889	6,889	6,889	
Total Other Adjustments to Cash (Uses)	<u>6,889</u>	<u>6,889</u>	<u>6,889</u>	
Net Change in Fund Balance	(18,000)	(18,000)	22,444	40,444
Fund Balance - Beginning	<u>18,000</u>	<u>18,000</u>	<u>28,722</u>	<u>10,722</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 51,166</u>	<u>\$ 51,166</u>

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

SOUTHEASTERN FIRE DEPARTMENT FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 11,000	\$ 11,000	\$ 10,500	\$ (500)
Charges for Services	16,000	16,000	16,545	545
Miscellaneous	100	100	3,201	3,101
Interest	50	50		(50)
Total Receipts	<u>27,150</u>	<u>27,150</u>	<u>30,246</u>	<u>3,096</u>
DISBURSEMENTS				
Protection to Persons and Property	28,526	28,526	10,112	18,414
Administration	13,073	13,073		13,073
Total Disbursements	<u>41,599</u>	<u>41,599</u>	<u>10,112</u>	<u>31,487</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(14,449)</u>	<u>(14,449)</u>	<u>20,134</u>	<u>34,583</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	2,953	2,953	2,953	
Total Other Adjustments to Cash (Uses)	<u>2,953</u>	<u>2,953</u>	<u>2,953</u>	
Net Change in Fund Balance	(11,496)	(11,496)	23,087	34,583
Fund Balance - Beginning	<u>11,496</u>	<u>11,496</u>	<u>11,327</u>	<u>(169)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 34,414</u>	<u>\$ 34,414</u>

MCLEAN 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

Other Adjustments to Cash (Uses) - Budgetary Basis	\$ 966,388
To adjust for change in payroll revolving account	<u>(47,293)</u>
Total Other Adjustments to Cash (Uses) - Regulatory Basis	<u>\$ 919,095</u>
Fund Balance - Ending - Budgetary Basis	\$ 320,044
To adjust for balance of payroll revolving account	<u>(27,193)</u>
Total Fund Balance - Ending - Regulatory Basis	<u>\$ 292,851</u>

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

For The Year Ended June 30, 2021

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MCLEAN 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 (*Restated)	Additions	Deletions	Ending Balance
Land and Land Improvements *	\$ 1,250,309	\$	\$	\$ 1,250,309
Buildings *	8,425,846			8,425,846
Vehicles and Equipment	2,517,516	18,995		2,536,511
Other Equipment	2,796,558	216,261		3,012,819
Infrastructure	5,330,595	261,530		5,592,125
 Total Capital Assets	 <u>\$ 20,320,824</u>	 <u>\$ 496,786</u>	 <u>\$ 0</u>	 <u>\$ 20,817,610</u>

MCLEAN 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 Improvements	\$ 25,000	50
Buildings and Building Improvements	\$ 25,000	50
Other Equipment	\$ 5,000	10
Vehicles and Equipment	\$ 5,000	10
Infrastructure	\$ 25,000	50

Note 2. Restatement of Capital Assets Beginning Balance

	<u>Land and Land Improvements</u>	<u>Buildings</u>
Prior Year Ending Balance	\$ 1,257,519	\$ 8,418,636
Reclassification	(7,210)	7,210
Beginning Balances Restated	<u>\$ 1,250,309</u>	<u>\$ 8,425,846</u>

**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 Curtis Dame, McLean County Judge/Executive
Members of the McLean 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 McLean County Fiscal Court for the fiscal year ended June 30, 2021, and the related notes to the financial statement which collectively comprise the McLean County Fiscal Court's financial statement and have issued our report thereon dated February 16, 2022.

Internal Control Over Financial Reporting

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

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

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 2021-001 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 deficiency described in the accompanying Schedule of Findings and Responses as item 2021-002 to be a significant deficiency.



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 McLean 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2021-001.

Views of Responsible Official and Planned Corrective Action

McLean County's views and planned corrective action for the findings identified in our audit are included in the accompanying Schedule of Finding 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

February 16, 2022

**MCLEAN COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2021

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**MCLEAN COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2021

FINANCIAL STATEMENT FINDINGS:

2021-001 The McLean County Fiscal Court Failed To Approve All Cash Transfers

The McLean County Fiscal Court failed to approve all cash transfers made by the county treasurer. We tested 21 cash transfers totaling \$1,934,555. Three cash transfers totaling \$419,633 were not approved by the fiscal court. On December 23, 2020, the treasurer transferred \$145,705 and \$167,755 to the general and ambulance funds, respectively, from the federal grants fund for Coronavirus Relief Fund (CRF) monies. On June 7, 2021, \$106,173 was transferred from the federal grants fund to the ambulance fund for additional CRF monies received by the fiscal court.

The treasurer did not realize monies being transferred from the federal grants fund to the general and ambulance funds for CRF monies needed fiscal court approval. She thought since these were reimbursements for payroll that had been previously paid out of these funds, she could return the money to those funds once the reimbursement was received. By not having fiscal court approval for cash transfers, the risks for misappropriation increases and limits the controls to ensure financial records are accurate.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* states, “[a]ll transfers require a court order.” Additionally, good internal controls dictate that all transfers be approved by fiscal court prior to being made by the county treasurer.

We recommend all cash transfers be approved by fiscal court prior to being made by the county treasurer.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive’s Response: Officials are continuing to provide professional development and training regarding the proper details required in both court minutes and also how to present cash transfers for approval to the fiscal court.

2021-002 The McLean County Treasurer Failed To Properly Reconcile The Payroll Revolving Account

This is a repeat finding and was included in the prior year audit report as finding 2020-007. The McLean County Fiscal Court uses a clearing bank account for payroll processing. Payroll revolving accounts are established in order to process individual payroll transactions and should zero out or reconcile to a minimal carrying balance. Deposits are made into the bank account from the county’s operating accounts to pay for salaries, taxes, matching portion of taxes, retirement, health insurance, and other payments to benefit vendors. The county treasurer did not properly prepare the June 30, 2021 monthly reconciliation on the payroll revolving account. She failed to include all of the payroll liabilities for the June 30 payroll. When the treasurer accounted for all liabilities, the payroll account had a negative reconciled balance of \$27,193 as of June 30, 2021.

The county treasurer did not realize she needed to include all payroll liabilities when preparing her monthly reconciliation. Also, there were no internal controls in place to ensure the payroll account was being properly reconciled each month. Additionally, she failed to make all the appropriate transfers into the payroll revolving account for KLEFPF payroll and additional retirement invoices.

The payroll revolving account should zero out at the end of the year or reconcile to a minimal carrying balance. However, because the account had not been properly reconciled, the payroll revolving account had an ending balance of negative \$27,193 as of June 30, 2021. Funds were not properly transferred into the payroll revolving account; therefore, the account could become overdrawn and assessed fees by the bank.

MCLEAN COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2021
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2021-002 The McLean County Treasurer Failed To Properly Reconcile The Payroll Revolving Account

Good internal controls require timely, accurate reconciliations for bank accounts, and all other reports concerning payroll, to ensure all funds are properly accounted for and to prevent misappropriation of funds and inaccurate financial reporting. Due to the nature of revolving accounts, only the funds necessary to pay employees and government agencies are transferred from other funds. Therefore, the reconciled balance each month of the payroll revolving account should be zero. Also, KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* requires monthly bank reconciliations.

We recommend the payroll revolving account be properly reconciled on a monthly basis. Because the payroll revolving account is a clearing account, this account should reconcile to a zero ending cash balance or a minimal carrying balance at the end of each month.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The county treasurer continues to rectify and improve practices that have been lacking in McLean County for some time. With that, our treasurer has received training and guidance from both the Department of Local Government and fellow treasurers regarding payroll reconciliation.

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

MCLEAN COUNTY FISCAL COURT

For The Year Ended June 30, 2021

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CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAM

COUNTY FISCAL COURT

For The Year Ended June 30, 2021

The McLean 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.

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

County Judge/Executive

A handwritten signature in black ink, appearing to read "Belinda Strisman", written over a horizontal line.

County Treasurer