

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

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



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

Independent Auditor's Report

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

Report on the Audit of the Financial Statement

Opinions

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances – Regulatory Basis of the Mercer County Fiscal Court, for the year ended June 30, 2022, and the related notes to the financial statement, which collectively comprise the Mercer County Fiscal Court's financial statement as listed in the table of contents.

Unmodified Opinion on Regulatory Basis of Accounting

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Mercer County Fiscal Court, for the year ended June 30, 2022, or the changes in financial position and cash flows thereof for the year then ended.

Basis for Opinions

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



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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the Mercer County Fiscal Court on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statement

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

Auditor's Responsibilities for the Audit of the Financial Statement

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Mercer County Fiscal Court's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Mercer County Fiscal Court's ability to continue as a going concern for a reasonable period of time.

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

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

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

Other Matters

Supplementary Information

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

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

Other Information

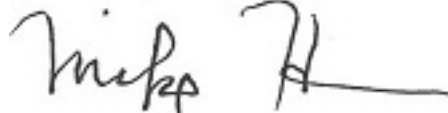
Management is responsible for the other information included in this report. The other information is comprised of the schedule of capital assets but does not include the financial statement and our auditor's report thereon. Our opinions on the financial statement do not cover the other information,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

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
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Members of the Mercer County Fiscal Court

Other Reporting Required by *Government Auditing Standards*

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts
Frankfort, Ky

December 6, 2022

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

Milward Dedman	Former County Judge/Executive - July 1, 2021 - November 15, 2021
Scott Moseley	County Judge/Executive - November 18, 2021 - Present
Ronnie Sims	Magistrate
Tim Darland	Magistrate
Jackie Claycomb	Magistrate
Donnie Webb	Magistrate
Wayne T. Jackson	Magistrate
Dennis Holiday	Magistrate

Other Elected Officials:

Ted Dean	County Attorney
Bret Chamberlain	Jailer
Chris Horn	County Clerk
Allison Buchanan	Circuit Court Clerk
Ernie Kelty	Sheriff
Jessica Elliott	Property Valuation Administrator
Sonny Ransdell	Coroner

Appointed Personnel:

Sandra Sanders	County Treasurer
Todd Palmer	Road Supervisor

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

For The Year Ended June 30, 2022

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

For The Year Ended June 30, 2022

	Budgeted Funds			
	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund
RECEIPTS				
Taxes	\$ 2,574,479	\$	\$	\$
Excess Fees	383,893			
Intergovernmental	358,005	1,496,673	105,584	55,845
Charges for Services	91,947			
Miscellaneous	68,256	113,598		
Interest	12,759	2,118	2,930	279
Total Receipts	<u>3,489,339</u>	<u>1,612,389</u>	<u>108,514</u>	<u>56,124</u>
DISBURSEMENTS				
General Government	1,049,301	15,803		37,000
Protection to Persons and Property	255,995	1,382	846,987	
General Health and Sanitation	121,234	3,443		
Social Services	45,321			3,000
Recreation and Culture	188,643			
Transportation Facility and Services		300		
Roads		1,459,407		
Other Transportation Facilities and Services		650		
Debt Service				
Capital Projects		231,039		
Administration	1,213,324	276,395		
Total Disbursements	<u>2,873,818</u>	<u>1,988,419</u>	<u>846,987</u>	<u>40,000</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>615,521</u>	<u>(376,030)</u>	<u>(738,473)</u>	<u>16,124</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	141,748	82,464	1,003,967	
Transfers To Other Funds				
Total Other Adjustments to Cash (Uses)	<u>141,748</u>	<u>82,464</u>	<u>1,003,967</u>	
Net Change in Fund Balance	757,269	(293,566)	265,494	16,124
Fund Balance - Beginning (Restated)	2,105,003	975,813	739,457	383,078
Fund Balance - Ending	<u>\$ 2,862,272</u>	<u>\$ 682,247</u>	<u>\$ 1,004,951</u>	<u>\$ 399,202</u>
Composition of Fund Balance				
Bank Balance	\$ 2,746,705	\$ 664,997	\$ 553,116	\$ 400,702
Less: Outstanding Checks	(87,341)	(92,750)	(69,773)	(1,500)
Certificates of Deposit	202,908	110,000	521,608	
Fund Balance - Ending	<u>\$ 2,862,272</u>	<u>\$ 682,247</u>	<u>\$ 1,004,951</u>	<u>\$ 399,202</u>

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

MERCER COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2022
(Continued)

Budgeted Funds						
Federal Grants Fund	Solid Waste Fund	Landfill Fund	Payroll and Net Profit Fund	E911 Wireless Fund	E911 Landline Fund	American Rescue Plan Act Fund
\$	\$	\$	\$ 1,595,597	\$	\$ 11,172	\$
966,655	22,500	264,457		56,824		2,130,114
	16,970	429,777				
	89	59,028	18,295		1,443	
	42	221	17,759	190	37	1,813
<u>966,655</u>	<u>39,601</u>	<u>753,483</u>	<u>1,631,651</u>	<u>57,014</u>	<u>12,652</u>	<u>2,131,927</u>
			50,014			5,744
				95,024	14,052	
	86,558	707,635				
966,655						
	89	116		239,515	5,541	169,113
<u>966,655</u>	<u>86,647</u>	<u>707,751</u>	<u>50,014</u>	<u>334,539</u>	<u>19,593</u>	<u>174,857</u>
	(47,046)	45,732	1,581,637	(277,525)	(6,941)	1,957,070
	29,141	13,711	6,947			
			(1,025,000)		(39,114)	(213,864)
	29,141	13,711	(1,018,053)		(39,114)	(213,864)
	(17,905)	59,443	563,584	(277,525)	(46,055)	1,743,206
	47,326	287,957	3,857,331	277,525	46,055	
<u>\$ 0</u>	<u>\$ 29,421</u>	<u>\$ 347,400</u>	<u>\$ 4,420,915</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,743,206</u>
\$	\$ 30,756	\$ 457,045	\$ 3,754,271	\$	\$	\$ 1,743,206
	(1,335)	(109,645)	(979)			
			667,623			
<u>\$ 0</u>	<u>\$ 29,421</u>	<u>\$ 347,400</u>	<u>\$ 4,420,915</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,743,206</u>

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

MERCER COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2022
(Continued)

	<u>Unbudgeted Fund</u>	
	Public Properties Corporation Fund	Total Funds
RECEIPTS		
Taxes	\$	\$ 4,181,248
Excess Fees		383,893
Intergovernmental	764,350	6,221,007
Charges for Services		538,694
Miscellaneous		260,709
Interest	6	38,154
Total Receipts	<u>764,356</u>	<u>11,623,705</u>
DISBURSEMENTS		
General Government		1,157,862
Protection to Persons and Property		1,213,440
General Health and Sanitation		918,870
Social Services		48,321
Recreation and Culture		188,643
Transportation Facility and Services		300
Roads		1,459,407
Other Transportation Facilities and Services		650
Debt Service	763,250	763,250
Capital Projects		1,197,694
Administration	2,201	1,906,294
Total Disbursements	<u>765,451</u>	<u>8,854,731</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,095)</u>	<u>2,768,974</u>
Other Adjustments to Cash (Uses)		
Transfers From Other Funds		1,277,978
Transfers To Other Funds		<u>(1,277,978)</u>
Total Other Adjustments to Cash (Uses)		
Net Change in Fund Balance	(1,095)	2,768,974
Fund Balance - Beginning (Restated)	<u>5,827</u>	<u>8,725,372</u>
Fund Balance - Ending	<u>\$ 4,732</u>	<u>\$ 11,494,346</u>
Composition of Fund Balance		
Bank Balance	\$ 4,732	\$ 10,355,530
Less: Outstanding Checks		(363,323)
Certificates of Deposit		<u>1,502,139</u>
Fund Balance - Ending	<u>\$ 4,732</u>	<u>\$ 11,494,346</u>

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

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TO THE FINANCIAL STATEMENT**

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MERCER COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2022

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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.

Federal Grants Fund - The primary purpose of this fund is to account for federal grants funds received and expended.

Solid Waste Fund - The primary purpose of this fund is account for grants and solid waste pickup and related disbursements. The primary sources of receipts for this fund are grants and residents of Mercer County.

Landfill Fund - This fund includes post-closure maintenance and monitoring costs of the landfill. This fund also includes activities related to the collection and disposal of garbage and recycling materials from residents of Mercer County.

Payroll and Net Profit Fund - The primary purpose of this fund is for collection of local payroll taxes and net profit tax, which is the primary revenue source. These funds are used to support the operation of county government.

E911 Wireless Fund - The primary purpose of this fund is for collection of wireless 911 receipts, which is the primary revenue source. These funds are used to support the operation of the 911 center.

E911 Landline Fund - The primary purpose of this fund is for collection of landline 911 tax receipts, which is the primary revenue source. These funds are used to support the operation of the 911 center.

American Rescue Plan Act Fund - The primary purpose of this fund is to account for the specific receipts and disbursements related to the American Rescue Plan Act for relief of negative impacts due to the coronavirus pandemic.

Unbudgeted Funds

The fiscal court reports the following unbudgeted fund:

Public Properties 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. The state local finance officer does not require the fiscal court to report or budget this fund.

D. Budgetary Information

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information (Continued)

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

E. Mercer County Elected Officials

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

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

F. Deposits and Investments

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

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

G. Long-term Obligations

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

H. Related Obligations and Joint Ventures

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on this criteria, Mercer County Fiscal Court has no related organizations.

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 Mercer County Fiscal Court:

Anderson Dean Community Park
Mercer County Industrial Development
Mercer County Sanitation District
Mercer County Planning and Zoning Commission

Note 2. Deposits

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

Custodial Credit Risk - Deposits

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

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

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2022.

	E911 Landline Fund	Payroll and Net Profit Fund	American Rescue Plan Act Fund	Total Transfers In
General Fund	\$ 39,114	\$	\$ 102,634	\$ 141,748
Road Fund			82,464	82,464
Jail Fund		1,000,000	3,967	1,003,967
Solid Waste Fund		25,000	4,141	29,141
Landfill Fund			13,711	13,711
Payroll and Net Profit Fund			6,947	6,947
Total Transfers Out	<u>\$ 39,114</u>	<u>\$ 1,025,000</u>	<u>\$ 213,864</u>	<u>\$ 1,277,978</u>

Reason for transfers:

To move resources from the E911 landline fund to the general fund to close the account. To move resources from the payroll net profit fund and American Rescue Plan Act Fund to general fund and other funds, for budgetary purposes, to the funds that will expend them.

Note 4. Leases

A. Lessor

On March 10, 2020, the Mercer County Fiscal Court began leasing the first floor of the county farm house to Critters Without Litters. The lease is for three years and the lessee will pay no compensation, however, will pay all utilities associated with the property and make minor repairs to the property during the time of occupancy.

B. Lessee

On June 29, 2021, the Mercer County Fiscal Court entered into a five-year lease agreement as lessee for the use of a postage meter. An initial lease liability was recorded in the amount of \$2,851. As of June 30, 2022, the value of the lease liability was \$2,280. The Mercer County Fiscal Court is required to make monthly principal payments of \$570.

The future principal and interest lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended June 30	Principal
2022	\$ 570
2023	570
2024	570
2025	570
	<u>\$ 2,280</u>

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

Note 4. Leases (Continued)

B. Lessee (Continued)

On June 26, 2018, the Mercer County Fiscal Court entered into a five-year lease agreement as lessee for the use of a copier. An initial lease liability was recorded in the amount of \$7,581. As of June 30, 2022, the value of the lease liability was \$1,516. The Mercer County Fiscal Court is required to make monthly principal payments of \$126.

The future principal and interest lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended	Principal
<u>June 30</u>	<u>Principal</u>
2022	<u>\$ 126</u>
	<u>\$ 126</u>

Note 5. Long-term Debt

A. Other Debt

1. Bonds

On March 8, 2016, the Mercer County Public Properties Corporation issued \$6,170,000 of first mortgage refunding revenue bonds. Proceeds from the bonds will be used for the purpose of (i) the advance refunding of all or certain maturities of the \$12,385,000 Mercer County, Kentucky Public Properties Corporation First Mortgage Revenue Bonds (Judicial Center Project), Series 2009, dated August 1, 2009; (ii) the payment of accrued interest, if any; and (iii) the payment of the cost of issuance incurred with respect to the issuance of the bonds. Principal payments are due annually on August 1 beginning August 1, 2021. Interest payments, which varies from 3% to 4%, is payable semi-annually on February 1 and August 1. The outstanding principal balance as of June 30, 2022, is \$5,625,000. Future principal and interest requirements are:

Fiscal Year Ending	Principal	Scheduled
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 710,000	\$ 193,150
2024	740,000	164,150
2025	770,000	133,950
2026	800,000	102,550
2027	840,000	69,750
2028-2029	<u>1,765,000</u>	<u>53,325</u>
Totals	<u>\$ 5,625,000</u>	<u>\$ 716,875</u>

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

Note 5. Long-term Debt (Continued)

B. Changes In Long-term Debt

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue Bonds	\$ 6,170,000	\$	\$ 545,000	\$ 5,625,000	\$ 710,000
Total Long-term Debt	<u>\$ 6,170,000</u>	<u>\$ 0</u>	<u>\$ 545,000</u>	<u>\$ 5,625,000</u>	<u>\$ 710,000</u>

C. Aggregate Debt Schedule

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

<u>Fiscal Year Ended June 30</u>	<u>Other Debt</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 710,000	\$ 193,150
2024	740,000	164,150
2025	770,000	133,950
2026	800,000	102,550
2027	840,000	69,750
2028-2029	<u>1,765,000</u>	<u>53,325</u>
Totals	<u>\$ 5,625,000</u>	<u>\$ 716,875</u>

Note 6. Commitments and Contingencies

A. Interlocal Cooperative Agreement

Mercer County has entered into an interlocal cooperation agreement with Boyle County to share in the cost of a regional jail facility. The facility is owned by Boyle County. Mercer County agreed to pay a percentage, not below 35 percent and not to exceed 50 percent, of the yearly costs in exchange for the use of the facility for Mercer County prisoners. Debt service for the jail is allocated when the annual operation budget is determined.

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

Note 6. Commitments and Contingencies (Continued)

B. Solid Waste Landfill

The Mercer County Fiscal Court operated a landfill, which ceased operations on June 30, 1992. The county initiated closure operations in April 1991. Closure costs were estimated to be \$52,700 and the county completed the steps necessary to close the landfill. The county believes that it has met all federal, state, and local laws and regulations in regard to the closure of the landfill. Post-closure care consists primarily of groundwater monitoring and landscape maintenance. The county is required to file reports with the appropriate regulatory agencies regarding the findings and groundwater monitoring activities. Post-closure costs are included in the landfill fund. Mercer County expended \$2,693 for post-closure costs for fiscal year ended June 30, 2022. Future costs are estimated to be the same as what was expended this fiscal year and have been budgeted in the landfill fund. Inflation, deflation, technology, or applicable laws and regulations could affect these costs.

C. Litigations

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

Note 7. Employee Retirement System

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (Ky. Ret. Sys.). This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Effective April 1, 2021, the Kentucky Public Pension Authority (KPPA) was created by KRS 61.505 to provide staffing and daily administrative needs for CERS and Ky. Ret. Sys. The CERS nine (9) member board of trustees is responsible for the governance of the CERS pension and insurance plans.

The county's contribution for FY 2020 was \$450,274, FY 2021 was \$500,853, and FY 2022 was \$567,316.

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 Ky. Ret. Sys. insurance fund.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own accounts. 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 Ky. Ret. Sys. Board of Directors based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4 percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

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

Note 7. Employee Retirement System (Continued)

Nonhazardous (Continued)

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

The county's contribution rate for nonhazardous employees was 26.95 percent.

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 78.5536.

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

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

The monthly insurance benefit has been increased annually as a 1.5 percent cost of living adjustment (COLA) since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement. Tier 2 member benefits are covered by KRS 78.5536. Tier 3 members are not covered by the same provisions.

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

Note 7. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

C. Cost of Living Adjustments - Tier 1

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

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.

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

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

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

Note 8. Deferred Compensation

The Mercer 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.

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

Note 8. Deferred Compensation (Continued)

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 9. Health Reimbursement Account

The Mercer County Fiscal Court established a flexible spending account on January 28, 1999, to provide employees an additional health benefit. The county has contracted with a third-party administrator to administer the plan. The plan provides a debit card to eligible employees, providing \$1,500 each year to pay for qualified medical expenses.

Note 10. Insurance

For the fiscal year ended June 30, 2022, the Mercer County Fiscal Court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 11. Conduit Debt

From time to time, the county has issued bonds to provide financial assistance to industries in Mercer County for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest, in accordance with KRS 103.210. This debt may take the form of certain types of limited-obligation revenue bonds, certificates of participation, or similar debt instruments. Although conduit debt obligations bear the Mercer County Fiscal Court's name as issuer, the fiscal court has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf it is issued. Neither the fiscal court nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statement. As of June 30, 2022, conduit debt has been issued but the amount currently outstanding is not reasonably determinable.

Note 12. Tax Abatement

The occupational tax license fee was abated under the authority of the Kentucky Business Investment (KBI). Hitachi Automotive Systems Americas, Inc. (the company) is eligible to receive this tax abatement as a result of its commitment to create certain jobs and investments in Harrodsburg, Kentucky. The taxes are abated by allowing the company to retain or have rebated to them 0.33 % of subject wages and compensation earned in Mercer County, Kentucky in accordance with Mercer County Occupational License Fee ordinance for ten years from approval of the project by KBI. Abatement of taxes can be suspended if the company does not maintain the required baseline of 626 employees and at least 10 employees associated with the new Kentucky Business Investment Program Project. For fiscal year ended June 30, 2022, the Mercer County Fiscal Court abated occupational taxes totaling \$17,981.

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

Note 13. Prior Period Adjustments

The general fund prior year carryover was adjusted in the amount of \$450 due to voided checks for financial statement purposes.

The road fund prior year carryover was adjusted in the amount of \$246 due to voided checks for financial statement purposes.

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

For The Year Ended June 30, 2022

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MERCER COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2022

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 2,099,182	\$ 2,099,182	\$ 2,574,479	\$ 475,297
Excess Fees	63,999	63,999	383,893	319,894
Intergovernmental	354,923	354,923	358,005	3,082
Charges for Services	88,750	88,750	91,947	3,197
Miscellaneous	56,078	56,078	68,256	12,178
Interest	4,500	4,500	12,759	8,259
Total Receipts	<u>2,667,432</u>	<u>2,667,432</u>	<u>3,489,339</u>	<u>821,907</u>
DISBURSEMENTS				
General Government	1,244,714	1,278,712	1,049,301	229,411
Protection to Persons and Property	295,600	318,092	255,995	62,097
General Health and Sanitation	156,350	169,610	121,234	48,376
Social Services	62,100	62,100	45,321	16,779
Recreation and Culture	276,600	282,100	188,643	93,457
Debt Service	2,000	2,000		2,000
Administration	2,377,382	2,801,119	1,213,324	1,587,795
Total Disbursements	<u>4,414,746</u>	<u>4,913,733</u>	<u>2,873,818</u>	<u>2,039,915</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,747,314)</u>	<u>(2,246,301)</u>	<u>615,521</u>	<u>2,861,822</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u></u>	<u></u>	<u>141,748</u>	<u>141,748</u>
Total Other Adjustments to Cash (Uses)	<u></u>	<u></u>	<u>141,748</u>	<u>141,748</u>
Net Change in Fund Balance	(1,747,314)	(2,246,301)	757,269	3,003,570
Fund Balance - Beginning (Restated)	<u>1,747,314</u>	<u>2,104,553</u>	<u>2,105,003</u>	<u>450</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (141,748)</u>	<u>\$ 2,862,272</u>	<u>\$ 3,004,020</u>

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

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,603,807	\$ 1,684,927	\$ 1,496,673	\$ (188,254)
Miscellaneous	26,750	99,581	113,598	14,017
Interest	2,000	2,000	2,118	118
Total Receipts	<u>1,632,557</u>	<u>1,786,508</u>	<u>1,612,389</u>	<u>(174,119)</u>
DISBURSEMENTS				
General Government	17,450	17,450	15,803	1,647
Protection to Persons and Property	2,000	2,000	1,382	618
General Health and Sanitation	30,000	30,000	3,443	26,557
Transportation Facilities and Services	7,000	7,000	300	6,700
Roads	1,777,843	1,935,196	1,459,407	475,789
Other Transportation Facilities and Services	700	700	650	50
Capital Projects	180,000	261,202	231,039	30,163
Administration	484,564	590,991	276,395	314,596
Total Disbursements	<u>2,499,557</u>	<u>2,844,539</u>	<u>1,988,419</u>	<u>856,120</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(867,000)</u>	<u>(1,058,031)</u>	<u>(376,030)</u>	<u>682,001</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			82,464	82,464
Total Other Adjustments to Cash (Uses)			<u>82,464</u>	<u>82,464</u>
Net Change in Fund Balance	(867,000)	(1,058,031)	(293,566)	764,465
Fund Balance - Beginning (Restated)	867,000	975,567	975,813	246
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (82,464)</u>	<u>\$ 682,247</u>	<u>\$ 764,711</u>

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

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 100,400	\$ 100,400	\$ 105,584	\$ 5,184
Miscellaneous	250	250		(250)
Interest	5,750	5,750	2,930	(2,820)
Total Receipts	<u>106,400</u>	<u>106,400</u>	<u>108,514</u>	<u>2,114</u>
DISBURSEMENTS				
Protection to Persons and Property	1,160,307	1,165,304	846,987	318,317
Administration	871,908	954,727		954,727
Total Disbursements	<u>2,032,215</u>	<u>2,120,031</u>	<u>846,987</u>	<u>1,273,044</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,925,815)</u>	<u>(2,013,631)</u>	<u>(738,473)</u>	<u>1,275,158</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,270,207	1,270,207	1,003,967	(266,240)
Total Other Adjustments to Cash (Uses)	<u>1,270,207</u>	<u>1,270,207</u>	<u>1,003,967</u>	<u>(266,240)</u>
Net Change in Fund Balance	(655,608)	(743,424)	265,494	1,008,918
Fund Balance - Beginning	<u>655,608</u>	<u>739,457</u>	<u>739,457</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (3,967)</u>	<u>\$ 1,004,951</u>	<u>\$ 1,008,918</u>

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

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 57,607	\$ 57,607	\$ 55,845	\$ (1,762)
Interest	200	200	279	79
Total Receipts	<u>57,807</u>	<u>57,807</u>	<u>56,124</u>	<u>(1,683)</u>
DISBURSEMENTS				
General Government	37,000	37,000	37,000	
Social Services	3,000	3,000	3,000	
Roads	105,000	105,000		105,000
Administration	245,807	295,885		295,885
Total Disbursements	<u>390,807</u>	<u>440,885</u>	<u>40,000</u>	<u>400,885</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(333,000)</u>	<u>(383,078)</u>	<u>16,124</u>	<u>399,202</u>
Net Change in Fund Balance	(333,000)	(383,078)	16,124	399,202
Fund Balance - Beginning	<u>333,000</u>	<u>383,078</u>	<u>383,078</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 399,202</u>	<u>\$ 399,202</u>

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

	FEDERAL GRANTS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,200,000	\$ 1,200,000	\$ 966,655	\$ (233,345)
Total Receipts	<u>1,200,000</u>	<u>1,200,000</u>	<u>966,655</u>	<u>(233,345)</u>
DISBURSEMENTS				
Social Services	200,000	200,000		200,000
Capital Projects	1,000,000	1,000,000	966,655	33,345
Total Disbursements	<u>1,200,000</u>	<u>1,200,000</u>	<u>966,655</u>	<u>233,345</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

	SOLID WASTE FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 15,000	\$ 15,000	\$ 22,500	\$ 7,500
Charges for Services	13,000	13,000	16,970	3,970
Miscellaneous	6,250	6,250	89	(6,161)
Interest	100	100	42	(58)
Total Receipts	<u>34,350</u>	<u>34,350</u>	<u>39,601</u>	<u>5,251</u>
DISBURSEMENTS				
General Health and Sanitation	101,700	107,291	86,558	20,733
Administration	20,700	27,576	89	27,487
Total Disbursements	<u>122,400</u>	<u>134,867</u>	<u>86,647</u>	<u>48,220</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(88,050)</u>	<u>(100,517)</u>	<u>(47,046)</u>	<u>53,471</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	49,050	49,050	29,141	(19,909)
Total Other Adjustments to Cash (Uses)	<u>49,050</u>	<u>49,050</u>	<u>29,141</u>	<u>(19,909)</u>
Net Change in Fund Balance	(39,000)	(51,467)	(17,905)	33,562
Fund Balance - Beginning	<u>39,000</u>	<u>47,326</u>	<u>47,326</u>	<u></u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (4,141)</u>	<u>\$ 29,421</u>	<u>\$ 33,562</u>

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

	LANDFILL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 249,741	\$ 249,741	\$ 264,457	\$ 14,716
Charges for Services	280,000	280,000	429,777	149,777
Miscellaneous	23,750	23,750	59,028	35,278
Interest	175	175	221	46
Total Receipts	<u>553,666</u>	<u>553,666</u>	<u>753,483</u>	<u>199,817</u>
DISBURSEMENTS				
General Health and Sanitation	708,441	769,303	707,635	61,668
Administration	99,225	86,031	116	85,915
Total Disbursements	<u>807,666</u>	<u>855,334</u>	<u>707,751</u>	<u>147,583</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(254,000)</u>	<u>(301,668)</u>	<u>45,732</u>	<u>347,400</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			13,711	13,711
Total Other Adjustments to Cash (Uses)			<u>13,711</u>	<u>13,711</u>
Net Change in Fund Balance	(254,000)	(301,668)	59,443	361,111
Fund Balance - Beginning	<u>254,000</u>	<u>287,957</u>	<u>287,957</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (13,711)</u>	<u>\$ 347,400</u>	<u>\$ 361,111</u>

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

	PAYROLL AND NET PROFIT FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,200,000	\$ 1,200,000	\$ 1,595,597	\$ 395,597
Miscellaneous	7,750	7,750	18,295	10,545
Interest	10,500	10,500	17,759	7,259
Total Receipts	<u>1,218,250</u>	<u>1,218,250</u>	<u>1,631,651</u>	<u>413,401</u>
DISBURSEMENTS				
General Government	64,300	71,247	50,014	21,233
Administration	3,283,966	3,673,674		3,673,674
Total Disbursements	<u>3,348,266</u>	<u>3,744,921</u>	<u>50,014</u>	<u>3,694,907</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,130,016)</u>	<u>(2,526,671)</u>	<u>1,581,637</u>	<u>4,108,308</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			6,947	6,947
Transfers To Other Funds	(1,337,607)	(1,337,607)	(1,025,000)	312,607
Total Other Adjustments to Cash (Uses)	<u>(1,337,607)</u>	<u>(1,337,607)</u>	<u>(1,018,053)</u>	<u>319,554</u>
Net Change in Fund Balance	(3,467,623)	(3,864,278)	563,584	4,427,862
Fund Balance - Beginning	<u>3,467,623</u>	<u>3,857,331</u>	<u>3,857,331</u>	<u></u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (6,947)</u>	<u>\$ 4,420,915</u>	<u>\$ 4,427,862</u>

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

	E911 WIRELESS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 175,000	\$ 175,000	\$ 56,824	\$ (118,176)
Miscellaneous	100	100		(100)
Interest	1,000	1,000	190	(810)
Total Receipts	<u>176,100</u>	<u>176,100</u>	<u>57,014</u>	<u>(119,086)</u>
DISBURSEMENTS				
Protection to Persons and Property	364,800	214,110	95,024	119,086
Administration	28,300	239,515	239,515	
Total Disbursements	<u>393,100</u>	<u>453,625</u>	<u>334,539</u>	<u>119,086</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(217,000)</u>	<u>(277,525)</u>	<u>(277,525)</u>	
Net Change in Fund Balance	(217,000)	(277,525)	(277,525)	
Fund Balance - Beginning	<u>217,000</u>	<u>277,525</u>	<u>277,525</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

	E911 LANDLINE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 30,000	\$ 30,000	\$ 11,172	\$ (18,828)
Miscellaneous	1,600	1,600	1,443	(157)
Interest	100	100	37	(63)
Total Receipts	<u>31,700</u>	<u>31,700</u>	<u>12,652</u>	<u>(19,048)</u>
DISBURSEMENTS				
Protection to Persons and Property	72,050	51,450	14,052	37,398
Administration	15,000	5,541	5,541	
Total Disbursements	<u>87,050</u>	<u>56,991</u>	<u>19,593</u>	<u>37,398</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(55,350)</u>	<u>(25,291)</u>	<u>(6,941)</u>	<u>18,350</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	18,350	18,350		(18,350)
Transfers To Other Funds			(39,114)	(39,114)
Total Other Adjustments to Cash (Uses)	<u>18,350</u>	<u>18,350</u>	<u>(39,114)</u>	<u>(57,464)</u>
Net Change in Fund Balance	(37,000)	(6,941)	(46,055)	(39,114)
Fund Balance - Beginning	<u>37,000</u>	<u>46,055</u>	<u>46,055</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 39,114</u>	<u>\$ 0</u>	<u>\$ (39,114)</u>

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

AMERICAN RESCUE PLAN ACT FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 2,130,114	\$ 2,130,114	\$ 2,130,114	\$
Interest			1,813	1,813
Total Receipts	<u>2,130,114</u>	<u>2,130,114</u>	<u>2,131,927</u>	<u>1,813</u>
DISBURSEMENTS				
General Government		5,744	5,744	
Administration	4,260,228	4,040,620	169,113	3,871,507
Total Disbursements	<u>4,260,228</u>	<u>4,046,364</u>	<u>174,857</u>	<u>3,871,507</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,130,114)</u>	<u>(1,916,250)</u>	<u>1,957,070</u>	<u>3,873,320</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(213,864)	(213,864)
Total Other Adjustments to Cash (Uses)			<u>(213,864)</u>	<u>(213,864)</u>
Net Change in Fund Balance	(2,130,114)	(1,916,250)	1,743,206	3,659,456
Fund Balance - Beginning	<u>2,130,114</u>	<u>2,130,114</u>		<u>(2,130,114)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 213,864</u>	<u>\$ 1,743,206</u>	<u>\$ 1,529,342</u>

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

June 30, 2022

Note 1. Budgetary Information

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

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

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

**MERCER COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For The Year Ended June 30, 2022

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**MERCER COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For The Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity/s Identifying Number	Provided to Subrecipient	Total Federal Expenditures
<u>U. S. Department of Treasury</u>				
<i>Direct Program:</i>				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027		\$ _____	\$ 388,721
Total U.S. Department of Treasury			<u>_____</u>	<u>388,721</u>
<u>U. S. Department of Housing and Urban Development</u>				
<i>Passed-Through Kentucky Department for Local Government:</i>				
Community Development Block Grants/State's Grants and Non-Entitlement Grants in Hawaii	14.228	20-019	966,655	<u>966,655</u>
Total U.S. Department of Housing and Urban Development			<u>966,655</u>	<u>966,655</u>
Total Expenditures of Federal Awards			<u>\$ 966,655</u>	<u>\$ 1,355,376</u>

The accompanying notes are an integral part of this schedule.

MERCER COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2022

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Mercer County, Kentucky under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Mercer County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Mercer County, Kentucky.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rate

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

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

For The Year Ended June 30, 2022

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MERCER COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2022

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 319,884	\$	\$	\$ 319,884
Buildings and Building Improvements	16,548,266	150,582		16,698,848
Vehicles	810,393	30,033	132,995	707,431
Machinery and Equipment	1,824,254	388,361	91,519	2,121,096
Infrastructure	9,514,509	569,629		10,084,138
 Total Capital Assets	 <u>\$ 29,017,306</u>	 <u>\$ 1,138,605</u>	 <u>\$ 224,514</u>	 <u>\$ 29,931,397</u>

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

June 30, 2022

Note 1. Capital Assets

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

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-45
Buildings and Building Improvements	\$ 25,000	10-60
Machinery and Equipment	\$ 5,000	3-20
Vehicles	\$ 5,000	3-20
Infrastructure	\$ 10,000	10-40

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

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

Independent Auditor's Report

The Honorable Scott Moseley, Mercer County Judge/Executive
Members of the Mercer County Fiscal Court

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Mercer County Fiscal Court for the fiscal year ended June 30, 2022 and the related notes to the financial statement which collectively comprise the Mercer County Fiscal Court's financial statement and have issued our report thereon dated December 6, 2022.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



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

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,

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Mike Harmon
Auditor of Public Accounts
Frankfort, Ky

December 6, 2022

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

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

Independent Auditor's Report

The Honorable Scott Moseley, Mercer County Judge/Executive
Members of the Mercer County Fiscal Court

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Mercer County Fiscal Court's compliance with the types of compliance requirements identified as subject to audit in the *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Mercer County Fiscal Court's major federal programs for the year ended June 30, 2022. The Mercer County Fiscal Court's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, Mercer County Fiscal Court complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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



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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Mercer County Fiscal Court's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Mercer County Fiscal Court's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Mercer County Fiscal Court's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Report on Internal Control over Compliance (Continued)

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Respectfully submitted,

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Mike Harmon
Auditor of Public Accounts
Frankfort, Ky

December 6, 2022

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**MERCER COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For The Year Ended June 30, 2022

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MERCER COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2022

Section I: Summary of Auditor's Results

Financial Statement

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

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grants/State Grants and Non-Entitlement Grants in Hawaii

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

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

Section II: Financial Statement Findings

None.

Section III: Federal Award Findings And Questioned Costs

None.

Section IV: Summary Schedule of Prior Audit Findings

None.

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

MERCER COUNTY FISCAL COURT

For The Year Ended June 30, 2022

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CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
COUNTY FISCAL COURT

For The Year Ended June 30, 2022

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

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County Judge/Executive

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County Treasurer