

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

**For The Year Ended  
June 30, 2023**



**ALLISON BALL  
AUDITOR OF PUBLIC ACCOUNTS  
[auditor.ky.gov](http://auditor.ky.gov)**

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



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**ALLISON BALL**  
**AUDITOR OF PUBLIC ACCOUNTS**

**Independent Auditor's Report**

To the People of Kentucky  
The Honorable Andy Beshear, Governor  
Holly M. Johnson, Secretary  
Finance and Administration Cabinet  
The Honorable Larry Bryant, Adair County Judge/Executive  
Members of the Adair 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 Adair County Fiscal Court, for the year ended June 30, 2023, and the related notes to the financial statement, which collectively comprise the Adair County Fiscal Court's financial statement as listed in the table of contents.

***Unmodified Opinion on Regulatory Basis of Accounting***

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and changes in fund balances – regulatory basis of the Adair County Fiscal Court, for the year ended June 30, 2023, 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 Adair County Fiscal Court, for the year ended June 30, 2023, 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 Adair 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 Larry Bryant, Adair County Judge/Executive  
 Members of the Adair 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 Adair 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***

Adair 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 Adair 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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Adair 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 Larry Bryant, Adair County Judge/Executive  
Members of the Adair 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 Adair County Fiscal Court. The Budgetary Comparison Schedules 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.

***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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2025, on our consideration of the Adair 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 Adair County Fiscal Court's internal control over financial reporting and compliance.

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

**Other Reporting Required by *Government Auditing Standards* (Continued)**

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

- 2023-001 The Adair County Jail Does Not Have Adequate Controls Over The Commissary And Inmate Accounts
- 2023-002 The Adair County Fiscal Court Lacks Adequate Segregation Of Duties
- 2023-003 The Adair County Fiscal Court Lacks Internal Controls Over Disbursements
- 2023-004 The Adair County Fiscal Court's Schedule Of Expenditures Of Federal Awards Submitted To The Kentucky Department For Local Government Was Materially Misstated
- 2023-005 The Adair County Fiscal Court Failed To Implement Adequate Internal Controls Over Cash Processes
- 2023-006 The Adair County Fiscal Court Lacks Adequate Controls Over Leases And Their Reporting
- 2023-007 The Adair County Fiscal Court Has A Lack Of Controls Over Payroll Processing

Respectfully submitted,



Allison Ball  
Auditor of Public Accounts  
Frankfort, Ky

May 19, 2025



**ADAIR COUNTY OFFICIALS**  
**For The Year Ended June 30, 2023**

**Fiscal Court Members:**

Larry Bryant	County Judge/Executive (January 1 - June 30, 2023)
Gale Cowan	County Judge/Executive (July 1 - December 31, 2022)
Tony Denton	Magistrate (January 1 - June 30, 2023)
Harold Burton	Magistrate (July 1 - December 31, 2022)
Daryl Flatt	Magistrate
Sammy Baker	Magistrate
Chriss Reeder	Magistrate
Billy Coffey	Magistrate
Mark Humphress	Magistrate
Terry Hadley	Magistrate

**Other Elected Officials:**

Jennifer Hutchison-Corbin	County Attorney
Jamie Richard	Jailer
Lisa Greer	County Clerk
Dennis Loy	Circuit Court Clerk
Josh Brockman	Sheriff
Landon Edwards	Property Valuation Administrator
Sierra Durbin	Coroner

**Appointed Personnel:**

Melinda Quinn	County Treasurer
Carrie Fletcher	Chief Financial Officer

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

**For The Year Ended June 30, 2023**

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

**For The Year Ended June 30, 2023**

	<b>Budgeted Funds</b>			
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Local Government Economic Assistance Fund</b>
<b>RECEIPTS</b>				
Taxes	\$ 1,476,687	\$	\$	\$
In Lieu Tax Payments	72,656			
Excess Fees	565,091			
Licenses and Permits	72,309			
Intergovernmental	687,298	2,306,442	1,222,411	148,693
Charges for Services			43,827	
Miscellaneous	208,245	7,655	138,371	16,768
Interest	8,618	10,941	765	2,134
Total Receipts	<u>3,090,904</u>	<u>2,325,038</u>	<u>1,405,374</u>	<u>167,595</u>
<b>DISBURSEMENTS</b>				
General Government	1,120,273	18,262	4,839	116,439
Protection to Persons and Property	121,259		1,826,007	4,380
General Health and Sanitation	491,894	41,085		31,509
Social Services	1,100			3,121
Recreation and Culture	470,461			
Roads		2,077,046		24,500
Airports				7,000
Debt Service	150,356	14,104	28,882	16,169
Administration	879,348	199,058	460,467	18,828
Total Disbursements	<u>3,234,691</u>	<u>2,349,555</u>	<u>2,320,195</u>	<u>221,946</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(143,787)</u>	<u>(24,517)</u>	<u>(914,821)</u>	<u>(54,351)</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	1,636,017	8,997	964,490	27,601
Transfers To Other Funds	<u>(946,614)</u>	<u>(254,489)</u>		<u>(100,000)</u>
Total Other Adjustments to Cash (Uses)	<u>689,403</u>	<u>(245,492)</u>	<u>964,490</u>	<u>(72,399)</u>
Net Change in Fund Balance	545,616	(270,009)	49,669	(126,750)
Fund Balance - Beginning (Restated)	<u>382,674</u>	<u>588,084</u>	<u>21,169</u>	<u>225,348</u>
Fund Balance - Ending	<u>\$ 928,290</u>	<u>\$ 318,075</u>	<u>\$ 70,838</u>	<u>\$ 98,598</u>
<b>Composition of Fund Balance</b>				
Bank Balance	\$ 933,706	\$ 321,545	\$ 93,004	\$ 105,723
Less: Outstanding Checks	<u>(5,416)</u>	<u>(3,470)</u>	<u>(22,166)</u>	<u>(7,125)</u>
Fund Balance - Ending	<u>\$ 928,290</u>	<u>\$ 318,075</u>	<u>\$ 70,838</u>	<u>\$ 98,598</u>

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

**ADAIR COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**  
**For The Year Ended June 30, 2023**  
**(Continued)**

Budgeted Funds							
Federal Grants Fund	Forest Fire Fund	Parks and Recreation Fund	ABC Commission Fund	911 Fund	Special Funds (ARPA) Fund	Green River Animal Shelter Fund	Special Funds Clerk Fund
\$	\$ 2,018	\$	\$	\$ 192,363	\$	\$	\$
			5,460				
10,000				185,196	64,486	25,210	
95,728		22,840	42,746	1,419		14,518	29,770
61	8	1,030	543	2,621	27,959	34	168
105,789	2,026	23,870	48,749	381,599	92,445	39,762	29,938
		96	10,198	1,038		264	
	2,250			305,513	129,028		
					108,497	90,147	
10,000							
		36,974			4,554		
		2,908	1,402	111,256	25,316	19,559	
10,000	2,250	39,978	11,600	417,807	267,395	109,970	
95,789	(224)	(16,108)	37,149	(36,208)	(174,950)	(70,208)	29,938
	295	30,307		10,265		75,850	
		(65,200)	(27,601)		(1,359,918)		
	295	(34,893)	(27,601)	10,265	(1,359,918)	75,850	
95,789	71	(51,001)	9,548	(25,943)	(1,534,868)	5,642	29,938
		103,528	49,447	236,341	3,045,406	1,221	
\$ 95,789	\$ 71	\$ 52,527	\$ 58,995	\$ 210,398	\$ 1,510,538	\$ 6,863	\$ 29,938
\$ 95,789	\$ 71	\$ 52,852	\$ 58,995	\$ 210,536	\$ 1,510,538	\$ 8,873	\$ 29,938
		(325)		(138)		(2,010)	
\$ 95,789	\$ 71	\$ 52,527	\$ 58,995	\$ 210,398	\$ 1,510,538	\$ 6,863	\$ 29,938

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

**ADAIR COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**  
**For The Year Ended June 30, 2023**  
**(Continued)**

	<u>Unbudgeted Funds</u>		
	<u>Public Properties Corporation Fund</u>	<u>Jail Commissary Fund</u>	<u>Total Funds</u>
<b>RECEIPTS</b>			
Taxes	\$	\$	\$ 1,671,068
In Lieu Tax Payments			72,656
Excess Fees			565,091
Licenses and Permits			77,769
Intergovernmental	915,675		5,565,411
Charges for Services			43,827
Miscellaneous		297,781	875,841
Interest		2,054	56,936
Total Receipts	<u>915,675</u>	<u>299,835</u>	<u>8,928,599</u>
<b>DISBURSEMENTS</b>			
General Government			1,271,409
Protection to Persons and Property			2,388,437
General Health and Sanitation			763,132
Social Services			14,221
Recreation and Culture		301,209	813,198
Roads			2,101,546
Airports			7,000
Debt Service	913,675		1,123,186
Administration	2,000		1,720,142
Total Disbursements	<u>915,675</u>	<u>301,209</u>	<u>10,202,271</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(1,374)	(1,273,672)
<b>Other Adjustments to Cash (Uses)</b>			
Transfers From Other Funds			2,753,822
Transfers To Other Funds			(2,753,822)
Total Other Adjustments to Cash (Uses)			
Net Change in Fund Balance		(1,374)	(1,273,672)
Fund Balance - Beginning (Restated)	<u>4,831</u>	<u>152,053</u>	<u>4,810,102</u>
Fund Balance - Ending	<u>\$ 4,831</u>	<u>\$ 150,679</u>	<u>\$ 3,536,430</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 4,831	\$ 150,679	\$ 3,577,080
Less: Outstanding Checks			(40,650)
Fund Balance - Ending	<u>\$ 4,831</u>	<u>\$ 150,679</u>	<u>\$ 3,536,430</u>

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

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TO THE FINANCIAL STATEMENT**

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**ADAIR COUNTY  
NOTES TO FINANCIAL STATEMENT**

**June 30, 2023**

**Note 1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

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



**ADAIR COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2023**  
**(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 manage federal grants received by the county. The primary source of receipts of this fund is federal grants.

Forest Fire Fund - The primary purpose of this fund is to account for money for forest protection. The primary source of receipts for this fund is property taxes.

Parks and Recreation Fund - The primary purpose of this fund is to account for receipts and disbursements associated with parks and recreation activities. The primary source of receipts is rental fees.

ABC Commission Fund - The primary purpose of this fund is to account for the activity associated with alcoholic beverage activity. The primary source of receipts for this fund is from alcoholic beverage license fees.

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

Special Funds (ARPA) Fund - The primary purpose of this fund is to account for the American Recovery Plan Act grant receipts and disbursements. The primary source of receipts for this fund is the federal government.

Green River Animal Shelter Fund - The primary purpose of this fund is to provide support of the animal shelter in the county. The primary source of receipts for this fund are local support, animal adoption proceeds, and interlocal agreements.

Special Funds Clerk Fund - The primary purpose of this fund is to account for receipts and disbursements of county document storage fees. The primary source of this fund is document storage fees collected by the county clerk.

**Unbudgeted Funds**

The fiscal court reports the following unbudgeted funds:

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

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135. The profits generated from the sale of items are to be used for the benefit and to enhance the well-being of the inmates, or to enhance safety and security within the jail. The jailer is required to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail commissary fund.

**ADAIR COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2023**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Budgetary Information**

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

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

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

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

The state local finance officer does not require the Public Properties Corporation Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

**E. Adair County Elected Officials**

Kentucky law provides for election of the officials listed below from the geographic area constituting Adair 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 Adair 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).

**ADAIR COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2023**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**G. Long-term Obligations**

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

**Note 2. Deposits**

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

**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, 2023, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**Note 3. Transfers**

The table below shows the interfund operating transfers for fiscal year 2023.

	General Fund	Road Fund	LGEA Fund	Parks and Recreation Fund	ABC Commission Fund	Special Funds (ARPA) Fund	Total Transfers In
General Fund	\$	\$ 254,489	\$	\$ 65,200	\$	\$ 1,316,328	\$ 1,636,017
Road Fund						8,997	8,997
Jail Fund	871,909		70,000			22,581	964,490
LGEA Fund					27,601		27,601
Parks and Recreation Fund			30,000			307	30,307
911 Fund						10,265	10,265
Forest Fire Fund	295						295
Green River Animal Shelter Fund	74,410					1,440	75,850
Total Transfers Out	\$ 946,614	\$ 254,489	\$ 100,000	\$ 65,200	\$ 27,601	\$ 1,359,918	\$ 2,753,822

**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.

**ADAIR COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2023**  
**(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:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2023 was \$35,708.

**Note 5. Leases**

**1. Lessor**

**A. Adair County Public Properties Corporation Lease**

In November 2015, the Adair County Public Properties Corporation (the corporation), a blended component unit of the fiscal court, began leasing the judicial center to the Administrative Office of the Courts (AOC). The lease period is for two-year period and the rental payments shall agree to the annual principal and interest costs on the bonds issued for the financing of the building construction. On July 1 of each even numbered year, the lease may be renewed by AOC, for another biennial period of two years. The lease renewal shall automatically be considered to have been affirmatively exercised each even numbered year by AOC, unless notice of its election not to exercise the option for the biennial period be given by AOC to the corporation, the trustee, and the county in writing at least 60 days prior to the renewal date hereof. The corporation recognized \$913,675 in lease revenue during the current fiscal year. As of June 30, 2023, the corporation's receivable for lease payments was \$915,050. As of July 1, 2022, the lease was renewed for a two-year period with lease valued revenues totaling \$915,050 remaining.

**B. Waste Connection**

In November 2015, the Adair County Fiscal Court leased property to Waste Connections for the operation of the transfer station. The lease designates payments based on tonnage of waste received at the transfer station for a period of ten years. There is an option to extend the lease. The county recognized \$39,956 in lease revenue during the current fiscal year. As of June 30, 2023, the county's receivable for lease payments is unknown due to future lease payments being based on monthly tonnage.

**C. Wilkerson Consulting, PSC Office Space**

On July 1, 2018, the Adair County Fiscal Court began leasing office space at 127 North Reed Street, Columbia, KY to Wilkerson Consulting, PSC. The lease is on a year-to-year basis and the Adair County Fiscal Court will receive monthly payments of \$700.00. The Adair County Fiscal Court recognized \$7,000 in lease revenue during the current fiscal year related to this lease. As of June 30, 2023, the Adair County Fiscal Court's receivable for lease payments was \$0 due to a new lease being signed on June 30, 2023.

**D. Wilkerson Consulting, PSC Office Space**

A new lease with Wilkerson Consulting, PSC was signed on June 30, 2023, for leasing the same office space at 127 North Reed Street, Columbia, KY to Wilkerson Consulting, PSC. The lease is on a month-to-month basis and the Adair County Fiscal Court will receive monthly payments of \$700.

**ADAIR COUNTY  
NOTES TO FINANCIAL STATEMENT  
June 30, 2023  
(Continued)**

**Note 5. Leases (Continued)**

**1. Lessor (Continued)**

**D. Wilkerson Consulting, PSC Office Space (Continued)**

The Adair County Fiscal Court recognized \$700 in lease revenue during the current fiscal year related to this lease. As of June 30, 2023, the Adair County Fiscal Court's receivable for lease payments was \$0.

**E. Alcohol Beverage Control Office Space**

On September 1, 2018, the Adair County Fiscal Court began leasing office space in the old Adair County Courthouse to the Alcohol Beverage Control (ABC) Office, which is an appointed position within the Adair County Fiscal Court. The lease is on a month-to-month basis and the Adair County Fiscal Court will receive a monthly payment of \$500. The Adair County Fiscal Court recognized \$3,500 in lease revenue and \$3,500 in lease payments during the current fiscal year related to this lease. As the Adair County Fiscal Court is both the lessor and lessee of this property, the revenue and expense net no cost or gain for the county. As of December 2022, the old Adair County Courthouse closed for renovations and lease payments ceased.

**F. Adair County Child Support Office Space**

On June 16, 2022, the Adair County Fiscal Court began leasing office space in the Adair County Courthouse Annex to Adair County Title IVD Child Support for fiscal year 2023. The lease is on a one-year basis and the Adair County Fiscal Court received monthly payments of \$250.00. The Adair County Fiscal Court recognized \$3,000 in lease revenue during the current fiscal year related to this lease. As of June 30, 2023, the Adair County Fiscal Court's receivable for lease payments was \$0.

**G. Hutchison & Hutchison Law Office Space**

In 2021, the Adair County Fiscal Court began leasing office space in the Adair County Courthouse Annex to Hutchison & Hutchison Law Office. The Adair County Fiscal Court recognized \$2,500 in lease revenue during the current fiscal year.

**2. Lessee**

**A. Transfer Station Land Lease**

In April 2016, the Adair County Fiscal Court leased property for the transfer station. The lease requires an annual payment of \$15,000. The total lease payment for the year ended June 30, 2023, was \$15,000. The lease was terminated in fiscal year 2023, when the Adair County Fiscal Court purchased this property.

**B. Danville Office Equipment Lease**

On April 1, 2023, the Adair County Fiscal Court entered into a five-year lease agreement as lessee for the use of office equipment. An initial lease liability was recorded in the amount of \$76,567 during the current fiscal year. As of June 30, 2023, the value of the lease liability was \$71,462. The Adair County Fiscal Court is required to make monthly payments of \$1,276.

**ADAIR COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2023**  
**(Continued)**

**Note 5. Leases (Continued)**

**2. Lessee (Continued)**

**C. Alcohol Beverage Control Office Space**

On September 1, 2018, the Adair County Fiscal Court began leasing office space in the old Adair County Courthouse to the Alcohol Beverage Control (ABC) Office, which is an appointed position within the Adair County Fiscal Court. The lease is on a month-to-month basis and the Adair County Fiscal Court will receive a monthly payment of \$500. The Adair County Fiscal Court recognized \$3,500 in lease revenue and \$3,500 in lease payments during the current fiscal year related to this lease. As the Adair County Fiscal Court is both the lessor and lessee of this property, the revenue and expense net no cost or gain for the county. As of December 2022, the old Adair County Courthouse closed for renovations and lease payments ceased.

**Note 6. Long-term Debt**

**A. Direct Borrowings and Direct Placements**

**1. Energy Savings and Hospital, Series 2014A**

On March 27, 2014, the Adair County Fiscal Court entered into a \$1,950,000 agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The purpose was to fund an energy savings project in the amount of \$250,000 and refinance the hospital equipment debt in the amount of \$1,700,000. The energy savings portion requires monthly payments of principal and interest until December 2023. The hospital portion requires monthly and interest payments until December 2028. In the case of default, the payments may become due immediately and further legal options may be initiated. The principal balance of the energy savings portion as of June 30, 2023, was \$15,000. The principal balance of the hospital portion as of June 30, 2023, was \$715,000. Future principal and interest requirements are as follows:

**I. Energy Savings Portion**

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2024	<u>\$ 15,000</u>	<u>\$ 488</u>

**II. Hospital Portion**

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2024	\$ 120,000	\$ 29,038
2025	122,500	25,138
2026	127,500	20,531
2027	132,500	15,112
2028	140,000	9,481
2029	<u>72,500</u>	<u>3,306</u>
Totals	<u>\$ 715,000</u>	<u>\$ 102,606</u>

**ADAIR COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2023**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

**A. Direct Borrowings and Direct Placements (Continued)**

**2. Mack Truck**

On October 18, 2016, the Adair County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) to finance the purchase of a dump truck that will be utilized by the road department. The dump truck was purchased for the amount of \$107,994 of which \$100,000 was financed. The principal was \$100,000 at an interest rate of 2.652 percent for a period of 96 months. In the case of default, the vehicle is held for collateral. Interest and principal payments are due monthly. The principal balance as of June 30, 2023, was \$18,191. Future principal and interest requirements are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2024	\$ 13,583	\$ 414
2025	<u>4,608</u>	<u>33</u>
Totals	<u>\$ 18,191</u>	<u>\$ 447</u>

**3. Sheriff's Vehicles**

On January 14, 2022, Adair County entered into a lease agreement with Kentucky Association of Counties in the amount of \$73,276 for the purchase of two police vehicles. The agreement stipulated an interest rate of 3.74 percent for a period of 60 months. In the case of default, the vehicles are held as collateral. Interest and principal payments are due monthly. The principal balance as of June 30, 2023, was \$55,321. Future principal and interest requirements are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2024	\$ 14,344	\$ 1,825
2025	14,890	1,279
2026	15,457	712
2027	<u>10,630</u>	<u>150</u>
Totals	<u>\$ 55,321</u>	<u>\$ 3,966</u>

**ADAIR COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2023**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

**B. Other Debt**

**1. First Mortgage Refunding Revenue Bonds, Series 2015**

On November 4, 2015, the Adair County Public Properties Corporation (PPC), an agency and instrumentality of the Adair County Fiscal Court, issued \$7,265,000 in Refunding Revenue Bonds (Justice Center Project), Series 2015. These bonds mature in varying amounts from \$70,000 to \$900,000 on December 1 of each year from 2018 through 2027. Proceeds of the bonds were used to refund the First Mortgage Revenue Bonds, Series 2007, which was for the purpose of acquisition, construction, installation, and equipping of the Adair County Courthouse Facility. In the case of default, the bonds may be called and due immediately. Interest is payable semi-annually on June 1 and December 1 at rates ranging from 2.0% to 3.5% and principal payments are due annually on December 1 of each year. The principal balance as of June 30, 2023, was \$4,235,000. Future principal and interest requirements are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2024	\$ 800,000	\$ 115,050
2025	820,000	90,750
2026	845,000	65,775
2027	870,000	40,050
2028	<u>900,000</u>	<u>13,500</u>
Totals	<u>\$ 4,235,000</u>	<u>\$ 325,125</u>

**C. Changes In Long-term Debt**

Long-term Debt activity for the year ended June 30, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Direct Borrowings and Direct Placements	\$ 975,559	\$	\$ 172,047	\$ 803,512	\$ 162,927
Revenue Bonds	<u>5,010,000</u>		<u>775,000</u>	<u>4,235,000</u>	<u>800,000</u>
Total Long-term Debt	<u>\$ 5,985,559</u>	<u>\$ 0</u>	<u>\$ 947,047</u>	<u>\$ 5,038,512</u>	<u>\$ 962,927</u>



**ADAIR COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2023**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

**D. Aggregate Debt Schedule**

The amounts of required principal and interest payments on long-term obligations on June 30, 2023, were as follows:

Fiscal Year Ended June 30	Other Debt		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2024	\$ 800,000	\$ 115,050	\$ 162,927	\$ 31,765
2025	820,000	90,750	141,998	26,450
2026	845,000	65,775	142,957	21,243
2027	870,000	40,050	143,130	15,262
2028	900,000	13,500	140,000	9,481
2029			72,500	3,306
Totals	<u>\$ 4,235,000</u>	<u>\$ 325,125</u>	<u>\$ 803,512</u>	<u>\$ 107,507</u>

**Note 7. Contingencies**

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

**Note 8. Employee Retirement System**

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

The county's contribution for FY 2021 was \$689,872, FY 2022 was \$776,008, and FY 2023 was \$862,498.

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.

**ADAIR COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2023**  
**(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 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.

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 26.79 percent.

Hazardous

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

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

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

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

The county's contribution rate for hazardous employees was 49.59 percent.

**ADAIR COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2023**  
**(Continued)**

**Note 8. Employee Retirement System (Continued)**

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

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

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

Benefits are covered under KRS 78.5536.

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

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

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

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

**ADAIR COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2023**  
**(Continued)**

**Note 8. Employee Retirement System (Continued)**

Other Post-Employment Benefits (OPEB) (Continued)

C. Health Insurance Coverage - Tier 2 and Tier 3 - Hazardous

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

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

D. Cost of Living Adjustments - Tier 1

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

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

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

F. Death Benefit

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

G. 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.

**ADAIR COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2023**  
**(Continued)**

**Note 9. Deferred Compensation**

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

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

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

**Note 10. Health Reimbursement Account**

The Adair County Fiscal Court has established a health reimbursement account to provide employees an additional health benefit. The county has contracted with a third-party administrator to administer the plan. The plan provides an annual amount set aside by fiscal court for health related expenses. The funds do not roll over and expire each calendar year.

**Note 11. Insurance**

For the fiscal year ended June 30, 2023, the Adair 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 12. Related Party Transactions**

The Adair County Fiscal Court utilized the services of a vendor which is owned by a magistrate and his son. The vendor provided construction and repair services to the county. The total paid to this vendor for the fiscal year ending June 30, 2023, was \$8,850.

**ADAIR COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2023**  
**(Continued)**

**Note 13. Conduit Debt**

From time to time, the county has issued debt to provide financial assistance to third parties 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 Adair 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, 2023, conduit debt has been issued but the amount currently outstanding is not reasonably determinable.

**Note 14. Prior Period Adjustments**

Financial statement beginning balances were restated as follows:

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>Parks and Recreation Fund</u>	<u>911 Fund</u>	<u>Green River Animal Shelter Fund</u>
Ending Fund Balances - Prior Year	\$ 380,449	\$ 587,980	\$ 20,963	\$ 103,457	\$ 236,318	\$ 1,179
Prior Year Voided Checks	<u>2,225</u>	<u>104</u>	<u>206</u>	<u>71</u>	<u>23</u>	<u>42</u>
Beginning Fund Balances - Restated	<u>\$ 382,674</u>	<u>\$ 588,084</u>	<u>\$ 21,169</u>	<u>\$ 103,528</u>	<u>\$ 236,341</u>	<u>\$ 1,221</u>

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

**For The Year Ended June 30, 2023**

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

**For The Year Ended June 30, 2023**

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Taxes	\$ 1,352,600	\$ 1,477,306	\$ 1,476,687	\$ (619)
In Lieu Tax Payments	52,000	62,022	72,656	10,634
Excess Fees	304,396	565,091	565,091	
Licenses and Permits	69,050	69,071	72,309	3,238
Intergovernmental	352,403	398,809	687,298	288,489
Miscellaneous	168,500	434,178	208,245	(225,933)
Interest	5,000	7,714	8,618	904
Total Receipts	2,303,949	3,014,191	3,090,904	76,713
<b>DISBURSEMENTS</b>				
General Government	875,471	1,248,828	1,120,273	128,555
Protection to Persons and Property	61,854	297,240	121,259	175,981
General Health and Sanitation	29,272	500,507	491,894	8,613
Social Services	7,200	7,200	1,100	6,100
Recreation and Culture	11,000	500,728	470,461	30,267
Debt Service	150,357	150,357	150,356	1
Administration	767,550	1,253,279	879,348	373,931
Total Disbursements	1,902,704	3,958,139	3,234,691	723,448
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	401,245	(943,948)	(143,787)	800,161
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	223,214	223,214	1,636,017	1,412,803
Transfers To Other Funds	(924,459)	(924,459)	(946,614)	(22,155)
Total Other Adjustments to Cash (Uses)	(701,245)	(701,245)	689,403	1,390,648
Net Change in Fund Balance	(300,000)	(1,645,193)	545,616	2,190,809
Fund Balance - Beginning (Restated)	300,000	380,449	382,674	2,225
Fund Balance - Ending	\$ 0	\$ (1,264,744)	\$ 928,290	\$ 2,193,034

**ADAIR COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2023**  
**(Continued)**

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 2,428,513	\$ 2,462,727	\$ 2,306,442	\$ (156,285)
Charges for Services	141,000	141,000		(141,000)
Miscellaneous	1,000	8,635	7,655	(980)
Interest	10,000	10,561	10,941	380
Total Receipts	<u>2,580,513</u>	<u>2,622,923</u>	<u>2,325,038</u>	<u>(297,885)</u>
<b>DISBURSEMENTS</b>				
General Government	17,355	18,755	18,262	493
General Health and Sanitation	41,570	41,570	41,085	485
Roads	2,585,567	2,661,835	2,077,046	584,789
Debt Service	14,104	14,104	14,104	
Administration	248,703	257,621	199,058	58,563
Total Disbursements	<u>2,907,299</u>	<u>2,993,885</u>	<u>2,349,555</u>	<u>644,330</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(326,786)</u>	<u>(370,962)</u>	<u>(24,517)</u>	<u>346,445</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			8,997	8,997
Transfers To Other Funds	<u>(223,214)</u>	<u>(223,214)</u>	<u>(254,489)</u>	<u>(31,275)</u>
Total Other Adjustments to Cash (Uses)	<u>(223,214)</u>	<u>(223,214)</u>	<u>(245,492)</u>	<u>(22,278)</u>
Net Change in Fund Balance	(550,000)	(594,176)	(270,009)	324,167
Fund Balance - Beginning (Restated)	<u>550,000</u>	<u>587,980</u>	<u>588,084</u>	<u>104</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (6,196)</u>	<u>\$ 318,075</u>	<u>\$ 324,271</u>

**ADAIR COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2023**  
**(Continued)**

<b>JAIL FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,061,200	\$ 1,222,936	\$ 1,222,411	\$ (525)
Charges for Services	30,200	45,761	43,827	(1,934)
Miscellaneous	134,000	146,421	138,371	(8,050)
Interest	500	660	765	105
Total Receipts	<u>1,225,900</u>	<u>1,415,778</u>	<u>1,405,374</u>	<u>(10,404)</u>
<b>DISBURSEMENTS</b>				
General Government	6,400	4,839	4,839	
Protection to Persons and Property	1,556,093	1,835,339	1,826,007	9,332
Debt Service	28,882	24,417	28,882	(4,465)
Administration	470,876	472,721	460,467	12,254
Total Disbursements	<u>2,062,251</u>	<u>2,337,316</u>	<u>2,320,195</u>	<u>17,121</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(836,351)</u>	<u>(921,538)</u>	<u>(914,821)</u>	<u>6,717</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	<u>836,351</u>	<u>836,351</u>	<u>964,490</u>	<u>128,139</u>
Total Other Adjustments to Cash (Uses)	<u>836,351</u>	<u>836,351</u>	<u>964,490</u>	<u>128,139</u>
Net Change in Fund Balance		(85,187)	49,669	134,856
Fund Balance - Beginning (Restated)		<u>20,963</u>	<u>21,169</u>	<u>206</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (64,224)</u>	<u>\$ 70,838</u>	<u>\$ 135,062</u>

**ADAIR COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2023**  
**(Continued)**

<b>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND</b>				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental	\$ 140,930	\$ 148,693	\$ 148,693	\$
Miscellaneous		16,768	16,768	
Interest	1,500	2,012	2,134	122
Total Receipts	142,430	167,473	167,595	122
<b>DISBURSEMENTS</b>				
General Government	69,200	120,687	116,439	4,248
Protection to Persons and Property	4,400	4,900	4,380	520
General Health and Sanitation	24,570	32,770	31,509	1,261
Social Services	1,500	6,500	3,121	3,379
Recreation and Culture	30,000	30,000		30,000
Roads	25,000	25,000	24,500	500
Airports	7,000	7,000	7,000	
Debt Service	16,169	16,169	16,169	
Administration	164,591	149,795	18,828	130,967
Total Disbursements	342,430	392,821	221,946	170,875
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(200,000)	(225,348)	(54,351)	170,997
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			27,601	27,601
Transfers To Other Funds			(100,000)	(100,000)
Total Other Adjustments to Cash (Uses)			(72,399)	(72,399)
Net Change in Fund Balance	(200,000)	(225,348)	(126,750)	98,598
Fund Balance - Beginning	200,000	225,348	225,348	
Fund Balance - Ending	\$ 0	\$ 0	\$ 98,598	\$ 98,598

**ADAIR COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2023**  
**(Continued)**

<b>FEDERAL GRANTS FUND</b>				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental	\$ 40,000	\$ 40,000	\$ 10,000	\$ (30,000)
Miscellaneous		95,739	95,728	(11)
Interest		50	61	11
Total Receipts	40,000	135,789	105,789	(30,000)
<b>DISBURSEMENTS</b>				
Social Services	40,000	40,000	10,000	30,000
Administration		95,789		95,789
Total Disbursements	40,000	135,789	10,000	125,789
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			95,789	95,789
Net Change in Fund Balance			95,789	95,789
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 95,789	\$ 95,789

**ADAIR COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2023**  
**(Continued)**

	<b>FOREST FIRE FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Taxes	\$ 2,240	\$ 2,240	\$ 2,018	\$ (222)
Interest	10	10	8	(2)
Total Receipts	<u>2,250</u>	<u>2,250</u>	<u>2,026</u>	<u>(224)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	<u>2,250</u>	<u>2,250</u>	<u>2,250</u>	
Total Disbursements	<u>2,250</u>	<u>2,250</u>	<u>2,250</u>	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			<u>(224)</u>	<u>(224)</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			<u>295</u>	<u>295</u>
Total Other Adjustments to Cash (Uses)			<u>295</u>	<u>295</u>
Net Change in Fund Balance			71	71
Fund Balance - Beginning				
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 71</u>	<u>\$ 71</u>

**ADAIR COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2023**  
**(Continued)**

<b>PARKS AND RECREATION FUND</b>				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Miscellaneous	\$ 22,000	\$ 22,868	\$ 22,840	\$ (28)
Interest	500	978	1,030	52
Total Receipts	22,500	23,846	23,870	24
<b>DISBURSEMENTS</b>				
General Government	175	175	96	79
Recreation and Culture	49,894	59,127	36,974	22,153
Administration	2,431	68,194	2,908	65,286
Total Disbursements	52,500	127,496	39,978	87,518
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(30,000)	(103,650)	(16,108)	87,542
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			30,307	30,307
Transfers To Other Funds			(65,200)	(65,200)
Total Other Adjustments to Cash (Uses)			(34,893)	(34,893)
Net Change in Fund Balance	(30,000)	(103,650)	(51,001)	52,649
Fund Balance - Beginning (Restated)	30,000	103,457	103,528	71
Fund Balance - Ending	\$ 0	\$ (193)	\$ 52,527	\$ 52,720

**ADAIR COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2023**  
**(Continued)**

<b>ABC COMMISSION FUND</b>				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Licenses and Permits	\$ 3,900	\$ 5,360	\$ 5,460	\$ 100
Miscellaneous	34,000	42,746	42,746	
Interest	500	500	543	43
Total Receipts	38,400	48,606	48,749	143
<b>DISBURSEMENTS</b>				
General Government	39,731	14,560	10,198	4,362
Administration	42,669	83,493	1,402	82,091
Total Disbursements	82,400	98,053	11,600	86,453
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(44,000)	(49,447)	37,149	86,596
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds			(27,601)	(27,601)
Total Other Adjustments to Cash (Uses)			(27,601)	(27,601)
Net Change in Fund Balance	(44,000)	(49,447)	9,548	58,995
Fund Balance - Beginning	44,000	49,447	49,447	
Fund Balance - Ending	\$ 0	\$ 0	\$ 58,995	\$ 58,995



**ADAIR COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2023**  
**(Continued)**

<b>911 FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 185,000	\$ 192,364	\$ 192,363	\$ (1)
Intergovernmental	185,600	186,796	185,196	(1,600)
Miscellaneous	200	1,442	1,419	(23)
Interest	2,500	2,500	2,621	121
Total Receipts	373,300	383,102	381,599	(1,503)
<b>DISBURSEMENTS</b>				
General Government	2,100	2,100	1,038	1,062
Protection to Persons and Property	313,400	388,068	305,513	82,555
Administration	232,800	236,198	111,256	124,942
Total Disbursements	548,300	626,366	417,807	208,559
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(175,000)	(243,264)	(36,208)	207,056
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			10,265	10,265
Total Other Adjustments to Cash (Uses)			10,265	10,265
Net Change in Fund Balance	(175,000)	(243,264)	(25,943)	217,321
Fund Balance - Beginning (Restated)	175,000	236,318	236,341	23
Fund Balance - Ending	\$ 0	\$ (6,946)	\$ 210,398	\$ 217,344

**ADAIR COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2023**  
**(Continued)**

<b>SPECIAL FUNDS (ARPA) FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,864,882	\$ 1,929,168	\$ 64,486	\$ (1,864,682)
Interest	12,000	26,461	27,959	1,498
Total Receipts	1,876,882	1,955,629	92,445	(1,863,184)
<b>DISBURSEMENTS</b>				
Protection to Persons and Property		137,695	129,028	8,667
General Health and Sanitation		108,497	108,497	
Recreation and Culture	500,000	4,554	4,554	
Administration	2,550,811	1,535,493	25,316	1,510,177
Total Disbursements	3,050,811	1,786,239	267,395	1,518,844
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,173,929)	169,390	(174,950)	(344,340)
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds			(1,359,918)	(1,359,918)
Total Other Adjustments to Cash (Uses)			(1,359,918)	(1,359,918)
Net Change in Fund Balance	(1,173,929)	169,390	(1,534,868)	(1,704,258)
Fund Balance - Beginning	1,173,929	1,173,929	3,045,406	1,871,477
Fund Balance - Ending	\$ 0	\$ 1,343,319	\$ 1,510,538	\$ 167,219

**ADAIR COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2023**  
**(Continued)**

<b>GREEN RIVER ANIMAL SHELTER FUND</b>				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental	\$ 16,100	\$ 23,577	\$ 25,210	\$ 1,633
Miscellaneous	8,000	13,269	14,518	1,249
Interest	20	30	34	4
Total Receipts	24,120	36,876	39,762	2,886
<b>DISBURSEMENTS</b>				
General Government	351	351	264	87
General Health and Sanitation	86,318	102,615	90,147	12,468
Administration	25,559	24,213	19,559	4,654
Total Disbursements	112,228	127,179	109,970	17,209
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(88,108)	(90,303)	(70,208)	20,095
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	88,108	88,108	75,850	(12,258)
Total Other Adjustments to Cash (Uses)	88,108	88,108	75,850	(12,258)
Net Change in Fund Balance		(2,195)	5,642	7,837
Fund Balance - Beginning (Restated)		1,179	1,221	42
Fund Balance - Ending	\$ 0	\$ (1,016)	\$ 6,863	\$ 7,879

**ADAIR COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2023**  
**(Continued)**

<b>SPECIAL FUNDS CLERK FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Miscellaneous	\$ 50,000	\$ 50,000	\$ 29,770	\$ (20,230)
Interest		139	168	29
Total Receipts	50,000	50,139	29,938	(20,201)
<b>DISBURSEMENTS</b>				
General Government	50,000	50,000		50,000
Administration		139		139
Total Disbursements	50,000	50,139		50,139
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			29,938	29,938
Net Change in Fund Balance			29,938	29,938
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 29,938	\$ 29,938

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

**June 30, 2023**

**Note 1. Budgetary Information**

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

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

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

**Note 2. Excess of Disbursements Over Appropriations**

The Jail Fund, debt service line-item exceeded budgeted appropriations by \$4,465.

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

**For The Year Ended June 30, 2023**

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

**For The Year Ended June 30, 2023**

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 2,082,845	\$ 899,392	\$	\$ 2,982,237
Buildings and Building Improvements	16,934,336	94,330		17,028,666
Vehicles and Equipment	2,473,297	77,649		2,550,946
Other Equipment	199,191			199,191
Infrastructure	19,267,417	1,320,932		20,588,349
 Total Capital Assets	 <u>\$ 40,957,086</u>	 <u>\$ 2,392,303</u>	 <u>\$ 0</u>	 <u>\$ 43,349,389</u>

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

**June 30, 2023**

**Note 1. Capital Assets**

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

	<u>Capitalization Threshold</u>	<u>Useful Life (Years)</u>
Land and Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Vehicles and Equipment	\$ 10,000	3-25
Other Equipment	\$ 10,000	3-25
Infrastructure	\$ 20,000	10-50

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

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**ALLISON BALL**  
**AUDITOR OF PUBLIC ACCOUNTS**

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

**Independent Auditor's Report**

The Honorable Larry Bryant, Adair County Judge/Executive  
Members of the Adair 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 Adair County Fiscal Court for the fiscal year ended June 30, 2023, and the related notes to the financial statement which collectively comprise the Adair County Fiscal Court's financial statement and have issued our report thereon dated May 19, 2025.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the Adair 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 Adair County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Adair 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 certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2023-001, 2023-002, 2023-003, and 2023-004 to be material weaknesses.



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

**Report on Internal Control Over Financial Reporting (Continued)**

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2023-005, 2023-006, and 2023-007 to be significant deficiencies.

**Report on Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the Adair County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying Schedule of Findings and Responses as items 2023-001, 2023-003, and 2023-004.

**Views of Responsible Officials and Planned Corrective Action**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Adair County's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The county's response was not subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we express no opinion on it.

**Purpose of this Report**

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

Respectfully submitted,



Allison Ball  
Auditor of Public Accounts  
Frankfort, Ky

May 19, 2025

**ADAIR COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

**For The Year Ended June 30, 2023**

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**ADAIR COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

**For The Year Ended June 30, 2023**

FINANCIAL STATEMENT FINDINGS:

2023-001    The Adair County Jail Does Not Have Adequate Controls Over The Commissary And Inmate Accounts

---

Part of this finding is a repeat finding and was included in the prior year audit report as finding 2022-001. The Adair County Jail lacked adequate segregation of duties over jail commissary activity. The following findings deficiencies:

- Inmate deposits were not being made in a timely manner.
- There was no evidence that the fees being collected by the jail were ever approved by the fiscal court, which could result in excessive or inadequate fees being charged to the inmates.
- Receipts are not being issued for items received by the commissary account nor are daily checkout sheets being prepared for the deposits.
- Additionally, the following issues were noted with jail commissary disbursements:
  - Four transactions totaling \$39,833 were for unallowable expenses from the commissary account, including lump sum payments to the fiscal court for the medical contract, purchase of a washer and dryer, and replacing lost inmate property.
  - Four transactions totaling \$30,690 did not have invoices to support the payment.
  - The jailer failed to follow proper bidding procedures for the purchasing e-cigs, which totaled more than \$40,000 for the year.

The above findings were a direct result of inadequate segregation of duties over jail commissary activity. While the jailer tried to implement some compensating controls, they were not sufficient to prevent the findings noted above from occurring. In addition, the jail was unaware of certain restrictions in place on allowable disbursements for the commissary account and of all of the requirements for deposits to the commissary account. The jailer did not know the last time the jail fees had been approved by court.

By not ensuring adequate records are kept for receipts, the jail is unable to prove the receipts are valid and deposited intact. By not keeping all disbursement documentation, the jail is unable to prove that the expenses are valid and allowable. By having unallowable disbursements, funds might not be available for other needed disbursements of the jail commissary. By not having an approved jail fee schedule, inmates might not be charged correctly or at all for items they are required to reimburse the county for during their incarceration, resulting in less than expected revenues for the county.

KRS 46.010(2) requires, “each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements.” KRS 46.010(3) requires, “all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires.” Segregation of duties is a basic internal control necessary to ensure the accuracy and reliability of financial reports. Another basic internal control that is necessary is maintaining accurate and itemized invoices for all disbursements to prove they are valid expenses and for allowable purposes.

KRS 441.135(2) requires that commissary profits be spent on items to benefit and to enhance the well-being of the prisoners or to enhance safety and security within the jail.

**ADAIR COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Year Ended June 30, 2023  
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-001 The Adair County Jail Does Not Have Adequate Controls Over The Commissary And Inmate Accounts (Continued)

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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 officials make daily deposits into a federally insured banking institution. In addition, KRS 64.840 requires that a receipt be created in triplicate for any funds received by the jail. One of those receipts should be attached to the daily checkout sheet and deposit to support the total.

KRS 424.260 requires that county official advertise and obtain bids for materials, supplies, equipment, and contractual services for all expenditures exceeding \$40,000.

We recommend the Adair County Jail implement sufficient internal controls over the jail commissary account and comply with applicable commissary statutes.

Views of Responsible Official and Planned Corrective Action:

*Jailer's Response: I will continue to check both accounts (Canteen and Commissary) to ensure the safety and accuracy of these accounts.*

2023-002 The Adair County Fiscal Court Lacks Adequate Segregation Of Duties

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This is a repeat finding and was included in the prior year audit report as finding 2022-002. The fiscal court does not have adequate segregation of duties. Mail is received by the deputy judge/executive. The treasurer rotates the duty of preparing deposits with the finance officer. The treasurer or finance officer, whoever did not prepare the deposit, takes the monies to the bank. The treasurer posts the deposit to the receipts ledger. Additionally, both the finance officer and treasurer rotate the duty of preparing disbursement checks, which are automatically posted to the ledger by the accounting software. The treasurer is also responsible for reconciling bank accounts and preparing monthly or quarterly reports with the county judge/executive reviewing for accuracy. The fiscal court has instituted additional reviews to offset this risk. These additional reviews do not offset the deficiency as the controls did not catch the errors the controls were implemented to stop. According to the county judge/executive, this finding was caused due to a lack of adequate office personnel to be able to separate the duties between employees without duty overlap. This deficiency increases the risk of misappropriation of assets, errors, and inaccurate financial reporting.

KRS 46.010(2) requires, "each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements." KRS 46.010(3) requires, "all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires." The segregation of duties is a basic internal control necessary to ensure the accuracy and reliability of financial reports. The segregation of duties over various accounting functions such as collecting receipts, preparing deposits, recording receipts and disbursements to the ledgers, and preparing reports or the implementation of compensating controls is essential for providing protection from asset misappropriation or inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily job duties.

**ADAIR COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**For The Year Ended June 30, 2023**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-002 The Adair County Fiscal Court Lacks Adequate Segregation Of Duties (Continued)

We recommend the county segregate the duties of accounting functions. If segregation of duties is not feasible due to lack of staff, we recommend the county continue to implement and document compensating controls to offset this control deficiency.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: The Adair County Fiscal Court determines the number of employees and salary the Judge Executive is allowed to have in his office. The employees will continue to have these same issues until additional staff is hired.*

2023-003 The Adair County Fiscal Court Lacks Internal Controls Over Disbursements

The Adair County Fiscal Court failed to implement proper internal controls over disbursements. We tested 114 transactions and 4 credit card statements totaling \$3,107,535, which resulted in the following issues:

- Thirty-five disbursements totaling \$35,753 did not have a purchase order.
- Ten disbursements totaling \$9,948 were not coded properly.
- Nine invoices totaling \$55,519 were not paid within 30 business days.
- Three invoices had finance charges and late fees totaling \$207.
- Fiscal Court orders did not document approval for nine invoices totaling \$630,222 or invoices were only partially included in the court orders and did not document the amount approved.
- The fiscal court had documented approval to sign the deed for the purchase a transfer statement property in its minutes, but the purchase price of \$441,250 was not documented as approved in the minutes.
- One invoice for \$9 did not have a description of what was purchased.
- One credit card statement was not provided.
- Three credit card transactions did not have an invoice documenting the purchase.
- One credit card transaction included sales tax of \$1.
- Ten purchase orders on credit card transactions for travel did not document the reason for travel.
- Meals on credit card transactions of \$121 for travel did not document the reason for travel and should have been included as taxable fringe benefits on the employees' W-2s as the meals were for same day travel. However, these meals were paid properly per the county's administrative code because the employee traveled out of the county.
- Invoices for asphalt paving and jail inmate meals were not paid at the bid rate approved in fiscal court and did not have documentation for the deviation in price.

Also, due to the purchase order system not including invoices on the standing orders list, the fiscal court had encumbrances at the end of the fiscal year that were not reported on the quarterly report.

The issues described above were due to a weak control environment over the purchasing and approval process. Also, according to the county treasurer, the fiscal court was not aware purchase orders should be issued for all disbursements including utilities and other items on its standing approved items list approved by the Department for Local Government. The issues noted above could result in line-items being over budget, claims being paid which are not valid obligations of the fiscal court, inaccurate reporting, and misappropriation of assets. By not paying claims within 30 working days, the claims could incur finance charges that are not proper obligations of the fiscal court. Also, the fiscal court was not in compliance with state laws.

**ADAIR COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Year Ended June 30, 2023  
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-003 The Adair County Fiscal Court Lacks Internal Controls Over Disbursements (Continued)

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

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

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

Lastly, KRS 46.010(2) requires, "each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements." KRS 46.010(3) requires, "all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires." The timely payment of invoices, correct coding of expenditures, and implementation of an effective purchase order system are basic internal controls necessary to ensure the accuracy and reliability of financial reports.

We recommend the Adair County Fiscal Court implement internal controls over the disbursement process to ensure purchase orders are issued for all purchases made and to use the purchase orders to maintain an accurate list of encumbrances on the fourth quarter financial statement. We further recommend the fiscal court implement controls over the review process to ensure all purchases are coded properly, invoices are paid within 30 business days to avoid late fees and finance charges, approved claims are clearly documented in fiscal court orders and have an invoices that agree to the contracted amount, travel invoices are documented with the purpose of the travel, and meal receipts for same day travel are included as taxable fringe benefits.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: The Adair County Fiscal Court has amended its travel ordinance to comply, P.O. numbers are being put standing orders, and a new Finance Officer is being trained to comply with audit recommendations.*

**ADAIR COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**For The Year Ended June 30, 2023**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-004    The Adair County Fiscal Court's Schedule Of Expenditures Of Federal Awards Submitted To The Kentucky Department For Local Government Was Materially Misstated

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The Adair Fiscal Court's Schedule of Expenditures of Federal Awards (SEFA) that was presented with its fourth quarter report to the Department for Local Government (DLG) at the end of the fiscal year was materially misstated. The SEFA should have shown \$2,234,378 for American Rescue Plan Act (ARPA) expenditures. However, only \$1,440,518 was included on the submitted SEFA. Per the county treasurer, this was due to a misunderstanding of which funds should have been included on the SEFA. The treasurer included the amount transferred out of the account during the fiscal year but failed to take into account items expended from ARPA funds for the fiscal year, but not yet transferred out. By not preparing and submitting a materially accurate SEFA with the fourth quarter report to DLG, the inaccurate records limit DLG's ability to oversee financial compliance requirements.

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 officials to submit quarterly reports to the Department for Local Government by the 30th day following the close of each quarter.

Moreover, KRS 46.010(2) requires, "each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements." KRS 46.010(3) requires, "all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires." Ensuring an accurate SEFA is submitted to DLG is a basic internal control necessary to ensure the accuracy and reliability of financial reports.

We recommend that the Adair Fiscal Court ensure the accuracy of the SEFA that is annually submitted to DLG with its fourth quarter report.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: The Adair County Treasurer has consulted with auditors on the proper procedures of filing the SEFA report.*

2023-005    The Adair County Fiscal Court Failed To Implement Adequate Internal Controls Over Cash Processes

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The Adair County Fiscal Court had internal control weaknesses and noncompliances regarding cash processes and financial reporting. The following deficiencies were noted with Adair County Fiscal Court's cash processes and financial reporting:

- The Adair County Fiscal Court failed to approve all cash transfers before they took place. For fiscal year 2023, two cash transfers totaling \$95,200 were not approved by the fiscal court before the transfers took place. However, approval was documented after the transfers took place.
- The Adair County Fiscal Court did not separately account for transfers from the LGEA Fund. We observed \$70,000 in transfers from the LGEA Fund to the Jail Fund, and \$30,000 in transfers from the LGEA Fund to the Parks & Recreation Fund.
- We observed the Adair County Fiscal Court had numerous bank error and corrections, where amounts were deposited incorrectly into incorrect funds then transferred to the correct fund. We also observed numerous checks outstanding for over one year.

**ADAIR COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**For The Year Ended June 30, 2023**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-005 The Adair County Fiscal Court Failed To Implement Adequate Internal Controls Over Cash Processes (Continued)

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The county treasurer and judge/executive stated that the Department for Local Government (DLG) told them they could spend the money for the Jail and Parks and Recreation funds. While this is true, the funds should have been separately accounted for or spent directly from the LGEA Fund. There were inadequate internal controls implemented by the fiscal court that failed to prevent the numerous bank errors and corrections and checks outstanding for over one year.

The failure to maintain accurate and detailed accounting information prevents the fiscal court from having a true picture of the activities within its accounts and increases the risk that undetected misstatements due to error or fraud could occur. Also, fiscal court orders should reflect the court's approval before transfers are made to document the transfers have appropriate approval.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The uniform system of accounts, which is set forth in the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual*, requires all borrowed money received and repaid to be reflected in the county budget. DLG's policy manual also requires fiscal courts to maintain receipts and disbursement journals, perform monthly bank reconciliations, and prepare annual financial statements. Lastly, the manual states, "[a]ll transfers require a court order."

Furthermore, KRS 46.010(2) requires, "each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements." KRS 46.010(3) requires, "all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires." Ensuring all transactions are recorded properly, ensuring all accounts are accounted for, and approving all cash transfers are basic internal controls necessary to ensure the accuracy and reliability of financial reports.

We make the following recommendations to address these findings:

- The fiscal court should ensure that it has properly record all transfers in the fiscal court orders.
- The fiscal court should account for all funds expended from restricted funds to ensure they are spent on appropriate categories.
- The fiscal court should implement controls to ensure outstanding checks are investigated and cleared, reissued, or canceled.
- The fiscal court should implement controls to ensure funds are deposited into the correct account to reduce the amount of bank errors and corrections.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: The Adair County Treasurer asked to resend the transfers and will pay funds out of the LGEA instead of transferring to other accounts from this point on. The Adair County Treasurer is looking at daily cash recaps on deposits before they are being deposited in the bank.*

**ADAIR COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**For The Year Ended June 30, 2023**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-006 The Adair County Fiscal Court Lacks Adequate Controls Over Leases And Their Reporting

The Adair County Fiscal Court did not maintain a complete and accurate schedule of leases for the 2023 fiscal year. While the county did maintain a schedule of assets for which they were lessor and lessee, the schedule was not accurate and did not include all necessary information. During fiscal year 2023, the Adair County Fiscal Court received \$966,331 in lease receipts and disbursed \$24,262 in lease commitments; however, the Adair County Fiscal Court's schedule of leases reported \$63,285 in lease receipts and \$825,564 in lease commitments.

We observed the following issues with lease reporting:

- Three lease agreements where the county is the lessor were not approved in the fiscal court minutes.
- One lease agreement that began in fiscal year 2023 and under which the county is the lessee was not approved in the fiscal court minutes.
- Two lease agreements could not be located.
- One lease agreement was not signed or properly dated.
- Lease receipts for several leases were not received timely under the provisions of the lease agreements.
- Amounts for lease receipts recorded on the lease schedule did not agree to the Adair County Fiscal Court's receipts ledgers.
- Lease receipts from one lessor could not be confirmed as accurate due to no information being provided to determine how the payment was calculated.
- One instance of the Adair County Fiscal Court leasing office space to the Office of the Alcohol Beverage Control Administrator, which is part of the Adair County Fiscal Court and not a separate legal entity.
- One lease term did not include the current fiscal year, but the lease receipts under the expired lease continued, nonetheless.
- One lease was recorded on the schedule as the county being a lessee, when the county was the lessor.
- Amounts for lease disbursements recorded on the lease schedule did not agree to the Adair County Fiscal Court's disbursements ledgers and had inconsistent account codes.

Inadequate controls over lease records, receipts, and disbursements led to improper recording of leases and erroneous disclosures in the notes to the financial statement.

Because an accurate and complete schedule of leases was not compiled or maintained, Adair County was not in compliance with the requirements of GASB Statement 87. The lack of effective internal controls over lease reporting fails to give fiscal court members adequate financial insight on lease record keeping, revenues, and disbursements to provide meaningful data.

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

**ADAIR COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**For The Year Ended June 30, 2023**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-006 The Adair County Fiscal Court Lacks Adequate Controls Over Leases And Their Reporting  
 (Continued)

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

KRS 46.010(2) requires, “each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements.” KRS 46.010(3) requires, “all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires.” Maintaining a complete schedule of leases is a basic internal control necessary to ensure the accuracy and reliability of financial reports.

We recommend that the Adair County Fiscal Court maintain a complete schedule of all leases and follow the standards set forth by GASB 87 to ensure note disclosures are complete and accurate. We further recommend that the fiscal court review all its lease agreements to ensure they are current, maintained as a record of the county, and have been approved by the fiscal court. The fiscal court should also ensure that rent payments have been collected timely and recorded properly in the ledgers.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive’s Response: The Adair County Treasurer is working on getting the GASBY report accurate.*

2023-007 The Adair County Fiscal Court Has A Lack Of Controls Over Payroll Processing

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The Adair County Fiscal Court has a lack of controls over payroll processing. During testing, auditors noted the following exceptions.

- The county treasurer processes payroll but also edits employees time when needed. There was no documentation of review and approval of the employee whose time was being edited.
- There were two employees tested who had access to edit their own time without approval and whose time in/out did not accurately reflect the action time when the entry was completed in the system.
- There was one employee whose timesheet was not signed by the employee, nor supervisor.
- Magistrates were given a monthly allowance for being on a committee and attending monthly meetings. There was no documentation maintained by the county treasurer that supported the monthly payment amount.



**ADAIR COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Year Ended June 30, 2023  
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-007 The Adair County Fiscal Court Has A Lack Of Controls Over Payroll Processing (Continued)

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The fiscal court did not have controls in place to ensure that the requirements were followed for payroll processing and proper authorization was in place to ensure payroll was accurately processed.

When timesheets are not properly reviewed and approved, and supporting documentation is not maintained to support payment, there is an increased risk of inaccurate work hours being reported and employee are not paid correctly. A risk of a misstatement also increases when employees have access to the payroll system where changes/editing can be completed by the employee without any supervisor approval.

KRS 46.010(2) requires, “each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements.” KRS 46.010(3) requires, “all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires.” Reviewing and approving all timesheets and changes to timesheets is a basic internal control necessary to ensure the accuracy and reliability of financial reports. Also, employees should not have access to the payroll system where edits to time can be completed by the employee, rather than a supervisor or department head.

We recommend the fiscal court implement controls over payroll processing to ensure that timesheets are signed by both employee and supervisor prior to processing, any edits on timesheets are signed by the employee whose time is being edited, and there is limited access to make edits in the system. Documentation should also be maintained by the county treasurer to support the magistrates’ allowance being paid monthly.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive’s Response: The payroll process has been edited and the committee reports are being put in the books.*

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

**ADAIR COUNTY FISCAL COURT**

**For The Year Ended June 30, 2023**

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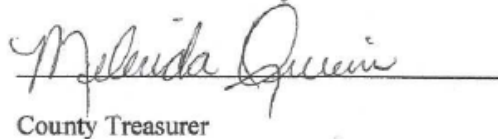
CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE  
COUNTY FISCAL COURT

For The Year Ended June 30, 2023

The Adair 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.



County Judge/Executive



County Treasurer