

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

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



**ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS
auditor.ky.gov**

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

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
BRECKINRIDGE COUNTY OFFICIALS	5
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - REGULATORY BASIS.....	8
NOTES TO FINANCIAL STATEMENT.....	11
BUDGETARY COMPARISON SCHEDULES.....	31
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES	37
SCHEDULE OF CAPITAL ASSETS.....	41
NOTES TO OTHER INFORMATION - REGULATORY BASIS SCHEDULE OF CAPITAL ASSETS.....	42
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 <i>GOVERNMENT AUDITING STANDARDS</i>	45
SCHEDULE OF FINDINGS AND RESPONSES.....	49
APPENDIX A: CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	

THIS PAGE LEFT BLANK INTENTIONALLY



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 Maurice Lucas, Breckinridge County Judge/Executive
Members of the Breckinridge 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 Breckinridge County Fiscal Court, for the year ended June 30, 2023, and the related notes to the financial statement, which collectively comprise the Breckinridge 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 Breckinridge 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 Breckinridge 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 Breckinridge 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 Maurice Lucas, Breckinridge County Judge/Executive

Members of the Breckinridge 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 Breckinridge 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

Breckinridge 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 Breckinridge 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 Breckinridge 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 Maurice Lucas, Breckinridge County Judge/Executive
Members of the Breckinridge 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 Breckinridge 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 October 16, 2024, on our consideration of the Breckinridge 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 Breckinridge 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 Maurice Lucas, Breckinridge County Judge/Executive
Members of the Breckinridge 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 Breckinridge County Fiscal Court Failed To Implement Adequate Internal Controls Over Cash Processes And Financial Reporting
- 2023-002 The Breckinridge County Fiscal Court Failed To Implement Adequate Internal Controls Over Debt And Debt Service
- 2023-003 The Breckinridge County Fiscal Court Failed To Implement Adequate Controls Over Offsite Receipts
- 2023-004 The Breckinridge County Fiscal Court Did Not Have Adequate Controls Over Disbursements
- 2023-005 The Breckinridge County Jail's Annual Commissary Report Did Not Include All Required Elements

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

October 16, 2024

BRECKINRIDGE COUNTY OFFICIALS**For The Year Ended June 30, 2023****Fiscal Court Members:**

Maurice Lucas	County Judge/Executive
James Henning	Magistrate
Gary Greenwell	Magistrate
Shane Beavin	Magistrate
Jeremy Armstrong	Magistrate
David Albright	Magistrate
Sam Moore	Magistrate

Other Elected Officials:

Nikki Anthony-Armes	County Attorney
Tara Shrewsberry	Jailer
Jared Butler	County Clerk
Cindy Rhodes	Circuit Court Clerk
Billy Richardson	Sheriff
Dana Bland	Property Valuation Administrator
Tim Brandy	Coroner - 7/1/22 to 12/31/22
Bill Lohden	Coroner - 1/1/23 to 6/30/23

Appointed Personnel:

Laura Fentress	County Treasurer
----------------	------------------

THIS PAGE LEFT BLANK INTENTIONALLY

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

For The Year Ended June 30, 2023

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

For The Year Ended June 30, 2023

	<u>Budgeted Funds</u>		
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
RECEIPTS			
Taxes	\$ 3,387,432	\$	\$
In Lieu Tax Payments	32,496		
Excess Fees	395,713		
Licenses and Permits	50,097		
Intergovernmental	597,387	2,691,055	2,590,569
Charges for Services	27,800		110,342
Miscellaneous	307,298	69,283	127,248
Interest	10,855	1,575	208
Total Receipts	<u>4,809,078</u>	<u>2,761,913</u>	<u>2,828,367</u>
DISBURSEMENTS			
General Government	1,472,685		
Protection to Persons and Property	617,224		1,741,994
General Health and Sanitation	280,185		180,184
Social Services	22,965		
Recreation and Culture	145,387		
Roads		2,758,194	
Airports	9,162		
Bus Services	77,357		
Debt Service	8,650	88,275	396,449
Capital Projects	1,188,643	6,750	
Administration	1,622,377	252,488	441,708
Total Disbursements	<u>5,444,635</u>	<u>3,105,707</u>	<u>2,760,335</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(635,557)</u>	<u>(343,794)</u>	<u>68,032</u>
Other Adjustments to Cash (Uses)			
Borrowed Money	147,175		
Payroll Revolving Account	77,439		
Transfers From Other Funds	1,988,709	700,000	
Transfers To Other Funds	(700,000)		
Total Other Adjustments to Cash (Uses)	<u>1,513,323</u>	<u>700,000</u>	
Net Change in Fund Balance	877,766	356,206	68,032
Fund Balance - Beginning (Restated)	<u>4,173,220</u>	<u>589,843</u>	<u>700,750</u>
Fund Balance - Ending	<u>\$ 5,050,986</u>	<u>\$ 946,049</u>	<u>\$ 768,782</u>
Composition of Fund Balance			
Bank Balance	\$ 5,141,983	\$ 971,740	\$ 798,718
Payroll Account Reconciled Balance	77,439		
Less: Outstanding Checks	<u>(168,436)</u>	<u>(25,691)</u>	<u>(29,936)</u>
Fund Balance - Ending	<u>\$ 5,050,986</u>	<u>\$ 946,049</u>	<u>\$ 768,782</u>

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

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

Budgeted Funds			Unbudgeted Funds		
Local Government Economic Assistance Fund	Federal Grants Fund	Special Clerk Fund	Public Properties Corporation Fund	Jail Commissary Fund	Total Funds
\$	\$	\$	\$	\$	\$ 3,387,432
					32,496
					395,713
					50,097
105,870			952,650		6,937,531
					138,142
	1,988,709	38,860		454,817	2,986,215
261	3,507	43			16,449
<u>106,131</u>	<u>1,992,216</u>	<u>38,903</u>	<u>952,650</u>	<u>454,817</u>	<u>13,944,075</u>
1,175		50			1,473,910
26,149					2,385,367
					460,369
17,066					40,031
59,000				454,628	659,015
					2,758,194
					9,162
					77,357
			952,650		1,446,024
					1,195,393
	35				2,316,608
<u>103,390</u>	<u>35</u>	<u>50</u>	<u>952,650</u>	<u>454,628</u>	<u>12,821,430</u>
2,741	1,992,181	38,853		189	1,122,645
					147,175
					77,439
					2,688,709
	(1,988,709)				(2,688,709)
	(1,988,709)				224,614
2,741	3,472	38,853		189	1,347,259
123,006	1,989,843			4,917	7,581,579
<u>\$ 125,747</u>	<u>\$ 1,993,315</u>	<u>\$ 38,853</u>	<u>\$ 0</u>	<u>\$ 5,106</u>	<u>\$ 8,928,838</u>
\$ 139,467	\$ 1,993,315	\$ 38,853	\$	\$ 6,233	\$ 9,090,309
					77,439
(13,720)				(1,127)	(238,910)
<u>\$ 125,747</u>	<u>\$ 1,993,315</u>	<u>\$ 38,853</u>	<u>\$ 0</u>	<u>\$ 5,106</u>	<u>\$ 8,928,838</u>

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

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENT**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	11
NOTE 2.	DEPOSITS	14
NOTE 3.	TRANSFERS	14
NOTE 4.	CUSTODIAL FUNDS	14
NOTE 5.	LEASES	15
NOTE 6.	SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITA)	17
NOTE 7.	LONG-TERM DEBT	18
NOTE 8.	EMPLOYEE RETIREMENT SYSTEM	23
NOTE 9.	DEFERRED COMPENSATION	27
NOTE 10.	INSURANCE	27
NOTE 11.	PAYROLL REVOLVING ACCOUNT	27
NOTE 12.	CONDUIT DEBT	27
NOTE 13.	PRIOR PERIOD ADJUSTMENTS	28
NOTE 14.	COMMITMENTS AND CONTINGENCIES	28

**BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2023

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

Breckinridge Health, Inc. would have been included in the reporting entity under accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. However, under the regulatory basis, they no longer are required components of the reporting entity. Audits of Breckinridge Health, Inc. can be obtained from the Breckinridge County Fiscal Court at 208 South Main Street, Hardinsburg, KY 40143.

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.

BRECKINRIDGE 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)

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.

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

Federal Grants Fund - The primary purpose of this fund is to account for grants and related disbursements for federal funds. The primary sources of receipts for this fund are federal payments.

Special Clerk Fund - The primary purpose of this fund is to account for the document storage fees for the county clerk and related disbursements. KRS 64.012 requires that the fiscal court hold these funds on the clerk's behalf in perpetuity until spent on allowable document storage disbursements.

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.

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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information (Continued)

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. Breckinridge County Elected Officials

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

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

F. Deposits and Investments

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

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

G. Long-term Obligations

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

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

Note 2. Deposits

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of the DLG *County Budget Preparation and State Local Finance Officer Policy Manual*. As of June 30, 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	Federal Grants Fund	Total Transfers In
General Fund	\$	\$ 1,988,709	\$ 1,988,709
Road Fund	700,000		700,000
Total Transfers Out	<u>\$ 700,000</u>	<u>\$ 1,988,709</u>	<u>\$ 2,688,709</u>

Reason for transfers:

To move resources from the general fund for budgetary purposes, to the fund that will expend them. The transfer from the federal grants fund to the general fund was to reimburse federal expenditures paid from the general fund in the prior year.

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 \$49,620.

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

Note 5. Leases

A. Lessor

1. Harned Area Volunteer Fire and Rescue Department, Inc.

On April 8, 2013, the Breckinridge County Fiscal Court began leasing land to the Harned Area Volunteer Fire and Rescue Department, Inc. The lease is for ten years, and the Breckinridge County Fiscal Court will receive annual payments of \$1. The Breckinridge County Fiscal Court did not recognize any lease revenue during the current fiscal year related to this lease. As of June 30, 2023, the Breckinridge County Fiscal Court does not have a receivable for lease payments since this lease has expired.

2. McDaniels Fire-Rescue, Inc.

On January 1, 2023, the Breckinridge County Fiscal Court began leasing land to McDaniels Fire-Rescue, Inc. The lease is for 25 years, and the Breckinridge County Fiscal Court will receive annual payments of \$1. The Breckinridge County Fiscal Court recognized \$25 in lease revenue during the current fiscal year related to this lease. As of June 30, 2023, the Breckinridge County Fiscal Court does not have a receivable for lease payments since this lease was paid in full when the lease was entered in January of 2023.

3. Administrative Office of the Courts

On April 27, 2022, the Breckinridge County Fiscal Court began leasing office space in the Breckinridge County Justice Center to the Administrative Office of the Courts. This lease is for fiscal year 2023 and the Breckinridge County Fiscal Court will receive quarterly payments of \$55,350. The Breckinridge County Fiscal Court recognized \$227,776 in lease revenue during the current fiscal year related to this lease.

B. Lessee

1. Copiers

On February 20, 2023, the Breckinridge County Fiscal Court entered into a 63-month lease agreement as lessee for the use of four copiers. An initial lease liability was recorded in the amount of \$35,902 during the current fiscal year. As of June 30, 2023, the value of the lease liability was \$34,192. The Breckinridge County Fiscal Court is required to make monthly payments of \$570.

The remaining lease payments as of June 30, 2023, were as follows:

	Fiscal Year Ended	
	June 30	Amount
2024		\$ 6,838
2025		6,839
2026		6,838
2027		6,839
2028		<u>6,838</u>
Total		<u>\$ 34,192</u>

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

Note 5. Leases (Continued)

B. Lessee (Continued)

2. Printers

On April 17, 2023, the Breckinridge County Fiscal Court entered into a 63-month lease agreement as lessee for the use of five printers. An initial lease liability was recorded in the amount of \$13,858 during the current fiscal year. As of June 30, 2023, the value of the lease liability was \$13,638. The Breckinridge County Fiscal Court is required to make monthly payments of \$220. The remaining lease payments as of June 30, 2023, were as follows:

	Fiscal Year Ended	
	June 30	Amount
2024		\$ 2,640
2025		2,639
2026		2,640
2027		2,640
2028-2029		<u>3,079</u>
Total		<u>\$ 13,638</u>

3. Dispatch Chairs

On May 5, 2023, the Breckinridge County Fiscal Court entered into a three-year lease agreement as lessee for the use of two chairs. An initial lease liability was recorded in the amount of \$3,279 during the current fiscal year. As of June 30, 2023, the value of the lease liability was \$3,279. The Breckinridge County Fiscal Court is required to make yearly payments of \$1,093. The remaining lease payments as of June 30, 2023, were as follows:

	Fiscal Year Ended	
	June 30	Amount
2024		\$ 1,093
2025		1,093
2028		<u>1,093</u>
Total		<u>\$ 3,279</u>

4. Copier - Jail

On December 6, 2010, the Breckinridge County Fiscal Court entered into a four-year lease agreement as lessee for the use of copiers. That lease agreement had an auto renewal clause for periods of twelve months at a time. The Breckinridge County Fiscal Court has been exercising the auto renewal clause since the initial lease expired in June 2015. An initial lease liability was recorded in the amount of \$7,056 during the current fiscal year. As of June 30, 2023, the value of the lease liability was \$0. The Breckinridge County Fiscal Court is required to make monthly payments of \$588.

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

Note 5. Leases (Continued)

B. Lessee (Continued)

5. Postage Meter

On February 19, 2019, the Breckinridge County Fiscal Court entered into a five-year lease agreement as lessee for the use of a postage meter. An initial lease liability was recorded in the amount of \$2,059 during the current fiscal year. As of June 30, 2023, the value of the lease liability was \$309. The Breckinridge County Fiscal Court was required to make quarterly payments of \$103.

	Fiscal Year Ended	
	June 30	Amount
2024	<u> </u>	<u>\$ 309</u>
Total	<u> </u>	<u>\$ 309</u>

6. Copier

On July 3, 2016, the Breckinridge County Fiscal Court entered into a 63-month lease agreement as lessee for the use of a copier. An initial lease liability was recorded in the amount of \$7,497 during the current fiscal year. As of June 30, 2023, the value of the lease liability was \$0. The Breckinridge County Fiscal Court is required to make monthly payments of \$119.

Note 6. Subscription-Based Information Technology Arrangements (SBITA)

A. SBITA – Mobile 311 Subscription

The Breckinridge County Fiscal Court entered into a subscription-based information technology arrangement for mobile 311 software for dispatch. This subscription is renewed annually, and the Breckinridge County Fiscal Court will receive the right-to-use subscription asset (intangible asset). As of June 30, 2023, the value of the subscription liability was \$0. The Breckinridge County Fiscal Court made annual payments of \$6,504 for fiscal year 2023.

B. SBITA – Mapping Subscription

The Breckinridge County Fiscal Court entered into a subscription-based information technology arrangement for mapping software for E911. This subscription is renewed annually, and the Breckinridge County Fiscal Court will receive the right-to-use subscription asset (intangible asset). As of June 30, 2023, the value of the subscription liability was \$0. The Breckinridge County Fiscal Court made annual payments of \$5,040 for fiscal year 2023.

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

Note 7. Long-term Debt

A. Direct Borrowings and Direct Placements

1. Detention Center Renovations

On February 26, 1998, the Breckinridge County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) in the sum of \$5,300,000 at a 5.64% interest rates. The financing obligation was for the construction of the detention facility. On January 31, 2000, the Breckinridge County Fiscal Court refinanced in the amount of \$5,500,000 at a 5.30% effect interest rate. The maturity date of the obligation is July 20, 2025.

Remedies on default:

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

As of June 30, 2023, the principal balance was \$753,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2024	\$ 367,000	\$ 25,274
2025	386,000	1,952
Totals	<u>\$ 753,000</u>	<u>\$ 27,226</u>

2. Emergency Services Building

On August 28, 2014, the Breckinridge County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) in the sum of \$140,000. Interest rates range from 3.00% to 3.50%. The financing obligation was for acquisition, construction, and equipping an emergency service building.

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

Note 7. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

2. Emergency Services Building (Continued)

Remedies on default:

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

As of June 30, 2023, the principal balance was \$95,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2024	\$ 5,000	\$ 3,488
2025	5,000	3,325
2026	5,000	3,162
2027	10,000	2,925
2028	10,000	2,600
2029-2033	50,000	7,750
2034	10,000	450
Totals	<u>\$ 95,000</u>	<u>\$ 23,700</u>

3. Road Equipment

On October 31, 2019, the Breckinridge County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) in the sum of \$123,600 at a 3.99% interest rate. The financing obligation was for acquisition of two tractors. The maturity date of the obligation is November 20, 2022. As of June 30, 2023, the principal balance was \$0.

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

Note 7. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

4. Trucks

On August 12, 2021, the Breckinridge County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) in the sum of \$161,732 at a 2.58% interest rate. The financing obligation was for acquisition of two trucks. The maturity date of the obligation is September 20, 2025.

Remedies on default:

- (a) Terminate the lease term and give notice to the lessee to vacate or surrender the project with 60 days from the date of such notice;
- (b) By written notice to lessee, enter and take immediate possession of the project;
- (c) Recover from the lessee:
 - (i) the lease payment which would otherwise have been payable hereunder during any period in which the lessee continues to use, occupy or retain possession of the project; and
 - (ii) lease payments which would otherwise have been payable hereunder after the lessee vacates or surrenders the project during the remainder of the fiscal year in which such event of default occurs;
- (d) Sell or lease the Project or sublease it for the account of lessee, holding lessee liable for all lease payments and other payments due during the remaining lease term to the extent that such selling, leasing or subleasing fails to provide amounts which are sufficient to pay the remaining lease payments when due, with any proceeds of the sale of the project being applied first to all past due lease payments and then to the portion of lease payments applicable to the principal component in inverse order of their due date; and
- (e) Exercise any other right, remedy or privilege which may be available to it under the applicable laws of the Commonwealth or any other applicable law, subject to the limitations contained in this lease with respect to the lessee's obligations upon the occurrence of an event of nonappropriation; or proceed by appropriate court action to enforce the terms of this lease or to recover damages for the breach of this lease or to rescind this lease as to any or all of the project, including, but not limited to, any one or more remedial steps available to secured parties under Article 9 of the UCC and which are otherwise accorded to lessor by applicable law.

As of June 30, 2023, the principal balance was \$122,889. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2024	\$ 40,123	\$ 3,171
2025	40,957	2,135
2026	41,809	1,079
Totals	<u>\$ 122,889</u>	<u>\$ 6,385</u>

5. Motorola Console System

On June 27, 2022, the Breckinridge County Fiscal Court entered into an agreement with the Motorola Solutions, Inc. in the sum of \$147,175. The financing obligation was for acquisition of dispatch equipment. The maturity date of the obligation is July 1, 2027.

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

Note 7. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

5. Motorola Console System (Continued)

Remedies on default:

- (i) by written notice to lessee, declare all amounts then due under the lease, and all remaining lease payments due during the fiscal period in effect when the default occurs to be immediately due and payable, whereupon the same shall become immediately due and payable;
- (ii) by written notice to lessee, request lessee to (and lessee agrees that it will), at lessee's expense, promptly discontinue use of the equipment, remove the equipment from all of lessee's computers and electronic devices, return the equipment to lessor in the manner set forth in section 5 hereof, or lessor, at its option, may enter upon the premises where the equipment is located and take immediate possession of and remove the same;
- (iii) sell or lease the equipment or sublease it for the account of lessee, holding lessee liable for all lease payments and other amounts due prior to the effective date of such selling, leasing or subleasing and for the difference between the purchase price, rental and other amounts paid by the purchaser, lessee or sublessee pursuant to such sale, lease or sublease and the amounts payable by lessee hereunder;
- (iv) promptly return the equipment to lessor in the manner set forth in section 5 hereof; and
- (v) exercise any other right, remedy or privilege which may be available to it under applicable laws of the state of the equipment location or any other applicable law or proceed by appropriate court action to enforce the terms of the lease or to recover damages for the breach of this lease or to rescind this lease as to any or all of the equipment.

As of June 30, 2023, the principal balance was \$147,175. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2024	\$ 26,779	\$ 6,961
2025	28,046	5,694
2026	29,372	4,368
2027	30,762	2,979
2028	32,216	1,523
Totals	<u>\$ 147,175</u>	<u>\$ 21,525</u>

6. Mortgage Revenue Refunding Bonds (Justice Center Project), Series 2017

On June 13, 2017, the Breckinridge County Public Properties Corporation issued \$7,644,313 of Mortgage Revenue Refunding Bonds, (Justice Center Project), Series 2017 for the purpose of financing the costs of the refunds and partial refinancing of the outstanding Breckinridge County Public Properties Corporation First Mortgage Revenue Bonds (Justice Center Project), Series 2010. Principal payments are due February 1, and the interest payments are due February 1 and August 1 with a 2.57% interest rate. The bonds will mature on February 1, 2031.

The Kentucky Administrative Office of the Courts (AOC) has agreed to a biannual lease that will cover the debt costs and will be paid to directly to the bank on behalf of the county as required by a Use and Sublease Agreement between the county and AOC dated June 1, 2017.

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

Note 7. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

6. Mortgage Revenue Refunding Bonds (Justice Center Project), Series 2017 (Continued)

Under the terms of the lease agreement, AOC has agreed to annually pay directly to the bank for the bonds approximately 100 percent of the net debt service, the stated use allowance payment, subject to constitutional restrictions limiting the commitment to state agencies to the then current biennial period; said amount to be applied only to the principal of and interest on the bonds so long as the county renews the lease. Under the lease, the corporation has pledged and assigned all of its rights under the lease agreement to the trustee in order to secure the bonds. Upon the happening and continuance of any event of default, the purchaser may, subject to its right to be indemnified to its satisfaction, proceed to protect and enforce its rights by such of the following remedies, as the purchaser, being advised by counsel, shall deem most effectual to protect and enforce such rights:

- (a) by enforcement of the foreclosable mortgage lien on the project and improvements granted by this mortgage, and in such event the purchaser shall take over possession, custody and control of the project and shall operate or carry out a decretal sale of same with due regard to state and Federal law and the covenants contained in the lease; provided, however, that no such foreclosure sale shall result in a deficiency judgment of any type or in any amount against the county, the AOC or the issuer, and until such sale the county or the AOC may at any time by the discharge of the bonds and interest thereon receive unencumbered fee simple title to the mortgaged facilities; provided that in the event of any such enforcement of said lien by the purchaser, there shall first be paid all expenses incident to said enforcement, and thereafter the Bonds then outstanding shall be paid and retired;
- (b) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the purchaser, including the right to require the issuer to enforce fully the lease and to charge, collect and fully account for the rental payments payable thereunder and to require the issuer to carry out any and all other covenants or agreements with the Purchaser and to perform its duties under the act;
- (c) by bringing suit upon the bonds;
- (d) by action or suit in equity, require the Issuer to account as if it were the trustee of an express trust for the owners of the bonds;
- (e) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the owners of the bonds;
- (f) by declaring all bonds due and payable, and if all defaults shall be made good, then, by annulling such declaration and its consequences;
- (g) in the event that all bonds are declared due and payable, by selling permitted investments of the issuer (to the extent not theretofore set aside for redemption of bonds for which call has been made), and enforcing all courses in action of the issuer to the fullest legal extent in the name of the issuer.

As of June 30, 2023, the principal balance was \$6,801,269. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2024	\$ 774,582	\$ 174,793
2025	797,089	154,887
2026	818,974	134,401
2027	835,221	113,353
2028	860,887	91,888
2029-2031	<u>2,714,516</u>	<u>140,582</u>
Totals	<u>\$ 6,801,269</u>	<u>\$ 809,904</u>

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

Note 7. Long-term Debt (Continued)

B. Changes In Long-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 8,966,332	\$ 147,175	\$1,194,174	\$ 7,919,333	\$ 1,213,484
Total Long-term Debt	<u>\$ 8,966,332</u>	<u>\$ 147,175</u>	<u>\$ 1,194,174</u>	<u>\$ 7,919,333</u>	<u>\$ 1,213,484</u>

C. Aggregate Debt Schedule

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

Fiscal Year Ended June 30	Direct Borrowings and Direct Placements	
	Principal	Interest
2024	\$ 1,213,484	\$ 213,687
2025	1,257,092	167,993
2026	895,155	143,010
2027	875,983	119,256
2028	903,103	96,012
2029-2033	2,764,516	148,332
2034	10,000	450
Totals	<u>\$ 7,919,333</u>	<u>\$ 888,740</u>

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.

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

Note 8. Employee Retirement System (Continued)

The county's contribution for FY 2021 was \$782,036, FY 2022 was \$858,339, and FY 2023 was \$1,043,670.

Nonhazardous

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

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

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.

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

Note 8. Employee Retirement System (Continued)

Hazardous (Continued)

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

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

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

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

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.

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

Note 8. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

B. Health Insurance Coverage - Tier 2 and Tier 3 – Nonhazardous (Continued)

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

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

C. Cost of Living Adjustments - Tier 1

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

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

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

E. Death Benefit

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

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

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

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

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

Note 9. Deferred Compensation

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

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

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

Note 10. Insurance

For the fiscal year ended June 30, 2023, the Breckinridge County Fiscal Court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 11. Payroll Revolving Account

The \$77,439 reconciled balance of the payroll revolving account as of June 30, 2023, was added to the general fund cash balance for financial reporting purposes.

Note 12. Conduit Debt

From time to time, the county has issued bonds and notes to provide financial assistance various government entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest, in accordance with KRS 103.210. This debt may take the form of certain types of limited-obligation revenue bonds, certificates of participation, or similar debt instruments. Although conduit debt obligations bear the Breckinridge 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.

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

Note 13. Prior Period Adjustments

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>LGEA Fund</u>
Ending Cash Balance - Prior Year	\$ 4,171,883	\$ 589,830	\$ 700,135	\$ 122,721
Adjustments:				
Rounding Error	2			
Voided Prior Year O/S Checks	<u>1,335</u>	<u>13</u>	<u>615</u>	<u>285</u>
Beginning Fund Balance Restated	<u>\$ 4,173,220</u>	<u>\$ 589,843</u>	<u>\$ 700,750</u>	<u>\$ 123,006</u>

Note 14. Commitments and Contingencies

The fiscal court is involved in multiple lawsuits, which could negatively impact the financial position of the county. Due to the uncertainty of this litigation, a reasonable estimate of the financial impact on the county office cannot be made at this time.

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

For The Year Ended June 30, 2023

THIS PAGE LEFT BLANK INTENTIONALLY

BRECKINRIDGE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2023

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 2,650,500	\$ 2,650,500	\$ 3,387,432	\$ 736,932
In Lieu Tax Payments	18,900	18,900	32,496	13,596
Excess Fees	12,500	12,500	395,713	383,213
Licenses and Permits	39,500	39,500	50,097	10,597
Intergovernmental	811,323	811,323	597,387	(213,936)
Charges for Services	16,000	16,000	27,800	11,800
Miscellaneous	196,100	196,100	307,298	111,198
Interest			10,855	10,855
Total Receipts	<u>3,744,823</u>	<u>3,744,823</u>	<u>4,809,078</u>	<u>1,064,255</u>
DISBURSEMENTS				
General Government	1,545,495	1,598,509	1,472,685	125,824
Protection to Persons and Property	659,127	625,145	617,224	7,921
General Health and Sanitation	321,356	323,095	280,185	42,910
Social Services	17,187	23,152	22,965	187
Recreation and Culture	150,879	161,125	145,387	15,738
Airports	10,711	11,551	9,162	2,389
Bus Services	162,000	125,337	77,357	47,980
Debt Service	8,650	8,650	8,650	
Capital Projects	78,892	1,607,601	1,188,643	418,958
Administration	1,814,475	1,873,316	1,622,377	250,939
Total Disbursements	<u>4,768,772</u>	<u>6,357,481</u>	<u>5,444,635</u>	<u>912,846</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,023,949)</u>	<u>(2,612,658)</u>	<u>(635,557)</u>	<u>1,977,101</u>
Other Adjustments to Cash (Uses)				
Borrowed Money			147,175	147,175
Transfers From Other Funds			1,988,709	1,988,709
Transfers To Other Funds	<u>(583,000)</u>	<u>(583,000)</u>	<u>(700,000)</u>	<u>(117,000)</u>
Total Other Adjustments to Cash (Uses)	<u>(583,000)</u>	<u>(583,000)</u>	<u>1,435,884</u>	<u>2,018,884</u>
Net Change in Fund Balance	(1,606,949)	(3,195,658)	800,327	3,995,985
Fund Balance - Beginning	<u>1,606,949</u>	<u>1,606,949</u>	<u>4,173,220</u>	<u>2,566,271</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (1,588,709)</u>	<u>\$ 4,973,547</u>	<u>\$ 6,562,256</u>

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

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 2,028,085	\$ 2,028,085	\$ 2,691,055	\$ 662,970
Miscellaneous	25,000	25,000	69,283	44,283
Interest		169	1,575	1,406
Total Receipts	<u>2,053,085</u>	<u>2,053,254</u>	<u>2,761,913</u>	<u>708,659</u>
DISBURSEMENTS				
Roads	2,371,603	2,873,021	2,758,194	114,827
Debt Service	88,275	88,275	88,275	
Capital Projects	80,000	6,750	6,750	
Administration	328,039	299,871	252,488	47,383
Total Disbursements	<u>2,867,917</u>	<u>3,267,917</u>	<u>3,105,707</u>	<u>162,210</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(814,832)</u>	<u>(1,214,663)</u>	<u>(343,794)</u>	<u>870,869</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>300,000</u>	<u>300,000</u>	<u>700,000</u>	<u>400,000</u>
Total Other Adjustments to Cash (Uses)	<u>300,000</u>	<u>300,000</u>	<u>700,000</u>	<u>400,000</u>
Net Change in Fund Balance	(514,832)	(914,663)	356,206	1,270,869
Fund Balance - Beginning	<u>514,832</u>	<u>514,832</u>	<u>589,843</u>	<u>75,011</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (399,831)</u>	<u>\$ 946,049</u>	<u>\$ 1,345,880</u>

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

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 2,147,313	\$ 2,147,313	\$ 2,590,569	\$ 443,256
Charges for Services			110,342	110,342
Miscellaneous	46,000	46,000	127,248	81,248
Interest	250	250	208	(42)
Total Receipts	<u>2,193,563</u>	<u>2,193,563</u>	<u>2,828,367</u>	<u>634,804</u>
DISBURSEMENTS				
Protection to Persons and Property	1,869,615	1,890,756	1,741,994	148,762
General Health and Sanitation	183,775	193,259	180,184	13,075
Debt Service	396,450	396,450	396,449	1
Administration	514,508	483,883	441,708	42,175
Total Disbursements	<u>2,964,348</u>	<u>2,964,348</u>	<u>2,760,335</u>	<u>204,013</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(770,785)</u>	<u>(770,785)</u>	<u>68,032</u>	<u>838,817</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>283,000</u>	<u>283,000</u>		<u>(283,000)</u>
Total Other Adjustments to Cash (Uses)	<u>283,000</u>	<u>283,000</u>		<u>(283,000)</u>
Net Change in Fund Balance	(487,785)	(487,785)	68,032	555,817
Fund Balance - Beginning	<u>487,785</u>	<u>487,785</u>	<u>700,750</u>	<u>212,965</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 768,782</u>	<u>\$ 768,782</u>

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

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 80,600	\$ 80,600	\$ 105,870	\$ 25,270
Interest			261	261
Total Receipts	80,600	80,600	106,131	25,531
DISBURSEMENTS				
General Government	1,500	1,500	1,175	325
Protection to Persons and Property	38,660	38,660	26,149	12,511
Social Services	24,200	24,248	17,066	7,182
Recreation and Culture	65,750	65,750	59,000	6,750
Administration	3,840	3,792		3,792
Total Disbursements	133,950	133,950	103,390	30,560
Net Change in Fund Balance	(53,350)	(53,350)	2,741	56,091
Fund Balance - Beginning	53,350	53,350	123,006	69,656
Fund Balance - Ending	\$ 0	\$ 0	\$ 125,747	\$ 125,747

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

	FEDERAL GRANTS FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Miscellaneous	\$ 1,989,754	\$ 1,989,754	\$ 1,988,709	\$ (1,045)
Interest			3,507	3,507
Total Receipts	<u>1,989,754</u>	<u>1,989,754</u>	<u>1,992,216</u>	<u>2,462</u>
DISBURSEMENTS				
Administration	3,979,508	1,990,764	35	1,990,729
Total Disbursements	<u>3,979,508</u>	<u>1,990,764</u>	<u>35</u>	<u>1,990,729</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,989,754)</u>	<u>(1,010)</u>	<u>1,992,181</u>	<u>1,993,191</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(1,988,709)	(1,988,709)
Total Other Adjustments to Cash (Uses)			<u>(1,988,709)</u>	<u>(1,988,709)</u>
Net Change in Fund Balance	(1,989,754)	(1,010)	3,472	4,482
Fund Balance - Beginning	<u>1,989,754</u>	<u>1,989,754</u>	<u>1,989,843</u>	<u>89</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 1,988,744</u>	<u>\$ 1,993,315</u>	<u>\$ 4,571</u>

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

	SPECIAL CLERK FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 40,000	\$ 40,000	\$ 38,860	\$ (1,140)
Interest	500	500	43	(457)
Total Receipts	<u>40,500</u>	<u>40,500</u>	<u>38,903</u>	<u>(1,597)</u>
DISBURSEMENTS				
General Government	40,500	40,449	50	40,399
Total Disbursements	<u>40,500</u>	<u>40,449</u>	<u>50</u>	<u>40,399</u>
Net Change in Fund Balance		51	38,853	38,802
Fund Balance - Beginning				
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 51</u>	<u>\$ 38,853</u>	<u>\$ 38,802</u>

**BRECKINRIDGE 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. Reconciliation of the General Fund

Other Adjustments to Cash (Uses) - Budgetary Basis	\$ 1,435,884
To adjust for payroll account balance	<u>77,439</u>
Other Adjustments to Cash (Uses) - Regulatory Basis	<u>\$ 1,513,323</u>
Fund Balance - Ending-Budgetary Basis	\$ 4,973,547
To adjust for payroll account balance	<u>77,439</u>
Fund Balance-Regulatory Basis	<u>\$ 5,050,986</u>

THIS PAGE LEFT BLANK INTENTIONALLY

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

For The Year Ended June 30, 2023

THIS PAGE LEFT BLANK INTENTIONALLY

BRECKINRIDGE 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:

	Restated Beginning Balance	Additions	Deletions	Ending Balance
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Land and Land Improvements	\$ 1,992,546	\$	\$	\$ 1,992,546
Buildings	22,438,652			22,438,652
Construction In Progress	1,121,716			1,121,716
Vehicles	1,768,933	283,000	82,270	1,969,663
Equipment	2,968,236	208,100		3,176,336
Infrastructure	13,575,610	1,296,797		14,872,407
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Capital Assets	<u>\$ 43,865,693</u>	<u>\$ 1,787,897</u>	<u>\$ 82,270</u>	<u>\$ 45,571,320</u>

BRECKINRIDGE 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
Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	5-15
Infrastructure	\$ 20,000	10-50

Note 2. Restatement of Capital Assets Beginning Balances

The Breckinridge County Fiscal Court's Capital Asset Schedule's beginning balance differs from the prior year audited Capital Asset Schedule's ending balance. This is due to additions, deletions, and errors made in prior years and errors made by the fiscal court in preparing the current year's schedule. The following illustrates the difference between the two schedules:

	<u>Prior Year Audited Balance</u>	<u>Difference</u>	<u>Current Year Beginning Balance</u>
Land and Land Improvements	\$ 1,992,546	\$	\$ 1,992,546
Buildings	22,438,652		22,438,652
Construction In Progress	1,121,716		1,121,716
Vehicles	1,534,136		1,534,136
Equipment	4,030,127	(1,061,891)	2,968,236
Infrastructure	12,846,517	729,093	13,575,610
	<u>\$ 43,963,694</u>	<u>\$ (332,798)</u>	<u>\$ 43,630,896</u>
Total Capital Assets			

**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***

THIS PAGE LEFT BLANK INTENTIONALLY



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 Maurice Lucas, Breckinridge County Judge/Executive
Members of the Breckinridge 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 Breckinridge County Fiscal Court for the fiscal year ended June 30, 2023, and the related notes to the financial statement which collectively comprise the Breckinridge County Fiscal Court's financial statement and have issued our report thereon dated October 16, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Breckinridge 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 Breckinridge County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Breckinridge 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 and 2023-002 to be material weaknesses.

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 2023-003, 2023-004, and 2023-005 to be significant deficiencies.



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

Report on Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Breckinridge 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 and 2023-002.

Views of Responsible Officials and Planned Corrective Action

Government Auditing Standards requires the auditor to perform limited procedures on the Breckinridge 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

October 16, 2024

**BRECKINRIDGE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2023

THIS PAGE LEFT BLANK INTENTIONALLY

**BRECKINRIDGE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2023

FINANCIAL STATEMENT FINDINGS:

2023-001 The Breckinridge County Fiscal Court Failed To Implement Adequate Internal Controls Over Cash Processes And Financial Reporting

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

- The former county treasurer failed to record borrowed money proceeds in the amount of \$147,175 and the corresponding purchase of the same amount for the new Motorola console system.
- The former county treasurer failed to prepare a financial statement for the Breckinridge County Public Properties Corporation. The Administrative Office of the Courts (AOC) paid debt service payments on behalf of Breckinridge County Fiscal Court in the amount of \$952,650.
- The Breckinridge County Fiscal Court failed to approve all cash transfers. In fiscal year 2023, the former treasurer made three cash transfers totaling \$2,688,709. Two cash transfers totaling \$2,388,709 were not approved by the fiscal court.

There were no internal controls implemented by the fiscal court to prevent the aforementioned problems. The failure to maintain accurate and detailed accounting information does not provide a true picture of the activities within the fiscal court's accounts and increases the risk that undetected misstatements due to error or fraud could occur. Furthermore, by not properly budgeting all transactions, the fiscal court potentially could overspend line items.

Strong internal controls are vital in safeguarding the county's assets and those given the responsibility of accounting for them.

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 must be reflected in the county budget. It also includes but is not limited to, maintaining receipts and disbursement journals, performing monthly bank reconciliations, and preparing annual financial statements. Lastly, it states, "[a]ll transfers require a court order."

We make the following recommendations to address these issues:

- The fiscal court should ensure that they properly budget and record all borrowed money and any related purchases.
- The fiscal court provide proper oversight with regards to the accounting for and the reporting on the Breckinridge County Public Properties Corporation.
- All cash transfers be approved by the fiscal court prior to being made by the county treasurer.

County Judge/Executive's Response: This was a bookkeeping oversight and closer monitoring will be used in the future. All borrowed money will be budgeted in the future budgets.

2023-002 The Breckinridge County Fiscal Court Failed To Implement Adequate Internal Controls Over Debt And Debt Service

A control deficiency existed over the reporting of debt and debt service of the Breckinridge County Fiscal Court. The following discrepancy were noted. The June 30, 2023, outstanding principal balances reported on the fourth quarter financial report were materially misstated when compared to actual principal payments and amortizations schedules. According to the fourth quarter financial report, the total outstanding principal balances were \$7,518,593 as of June 30, 2023. This figure should have been \$7,919,333.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-002 The Breckinridge County Fiscal Court Failed To Implement Adequate Internal Controls Over Debt And Debt Service (Continued)

The county treasurer entered the incorrect ending principal balances for two debt issuances. Additionally, the county failed to implement a strong internal control system over liabilities and debt service and instead relied on a single person without adequate oversight.

This lack of internal controls resulted in the county's fourth quarter financial report outstanding principal balance being materially understated by \$400,740. In addition, the risk of misstatements and undetected errors increases when proper internal controls are not implemented.

Strong internal controls over outstanding debt and debt service payments are necessary to ensure accurate financial reporting. Also, KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts for all counties and county officials. The *County Budget Preparation and State Local Finance Officer Policy Manual* outlines minimum requirements for the handling of public funds, including debt service payments, outstanding debt (principal and interest), and liabilities.

We recommend the county strengthen internal controls over the reporting of debt and debt service. Internal controls, such as comparisons of payment amounts (including interest payments) and outstanding balances to amortization and payment schedules, should be implemented. Such practices will strengthen internal controls over liabilities and debt service and ensure that proper amounts are reported.

County Judge/Executive's Response: We will strengthen our internal controls over debts and debt service.

2023-003 The Breckinridge County Fiscal Court Failed To Implement Adequate Controls Over Offsite Receipts

The Breckinridge Fiscal Court failed to implement adequate controls over offsite animal shelter receipts and swimming pool receipts. Triplicate receipts were issued and maintained at the swimming pool and a daily checkout sheet was prepared, but receipts were only being deposited once a week by the treasurer. Triplicate receipts were not being maintained with the deposit detail as supporting documentation and deposits were only being turned over to the county treasurer once a month. In addition, the animal shelter was issuing cash refunds to customers that returned adopted animals. This was due to an oversight by the county treasurer.

Deposits for the fiscal court were only being made on a weekly basis due to time constraints, and the animal shelter coordinator was not aware that daily deposits were a requirement. They were also unaware that cash refunds were unallowed as deposits and must be made intact. Receipts were being created at the animal shelter, but only a summary sheet was being turned in for documentation of the deposit.

By not depositing all receipts on a daily basis, the risk of loss or theft of funds before being deposited increases. Daily deposits and recording of those receipts ensure the receipts ledger is accurate and updated timely. By including a receipt for each transaction with the deposit sheet, the treasurer is able to ensure that all items on the deposit are accounted for, and the risk of missing items is reduced. Any refunds should be made by check, and all funds should be deposited when received and not held for the possibility of refund.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-003 The Breckinridge County Fiscal Court Failed To Implement Adequate Controls Over Offsite Receipts (Continued)

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 make daily deposits.

Daily deposit requirements include a daily checkout sheet which is supported by copies of receipts issued for the day and separated into the appropriate categories. The funds received each day should be deposited intact into a federally insured banking institution.

Good internal controls over deposits also allows for the county to ensure that all funds are being deposited timely to use for the county's expenses. By depositing funds timely and intact, receipts are less likely to be misappropriated or lost.

We recommend that the Breckinridge Fiscal Court ensure that all offsite receipts be deposited on a daily basis intact to a federally insured banking institution and that those deposits be properly supported by triplicate receipts issued at the offsite locations.

County Judge/Executive's Response: The animal shelter and pool receipts will be completed in triplicate and daily checkout sheets will be used. Timely deposits will be made for both groups.

2023-004 The Breckinridge County Fiscal Court Did Not Have Adequate Controls Over Disbursements

During fiscal year 2023, the Breckinridge County Fiscal Court did not have adequate internal controls over disbursements. The following exceptions were noted during testing of disbursements:

- Five invoices totaling \$182,861 were not paid within 30 working days of receipt.
- Purchase orders were not issued for nine transactions.

According to staff, purchase orders were not issued for all disbursements due to a lack of understanding of DLG requirements and guidance. In order for all disbursements to be approved by fiscal court prior to payment, some invoices were paid late due to the timing of fiscal court meetings.

A lack of controls over disbursements could result in inaccurate financial reporting, misappropriation of assets, cash flow problems, and claims being paid that are not valid obligations of the fiscal court. Furthermore, the fiscal court's failure to establish effective internal controls over disbursements resulted in the fiscal court being noncompliant with state laws and regulations.

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a system of uniform accounts. The *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."

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-004 The Breckinridge County Fiscal Court Did Not Have Adequate Controls Over Disbursements
(Continued)

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

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 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 Breckinridge County Fiscal Court strengthen internal controls over disbursements by ensuring that purchase orders are issued prior to all purchases being made and that all invoices are paid within thirty working days.

County Judge/Executive’s Response: Fiscal court meets once a month and it is sometimes over 30 days before some claims are paid. Vendors are told that information before a purchase is made. We use a P.O. system and some departments forget to issue a P.O. We have re-emphasized that a P.O. must be obtained before a purchase is made.

Auditor’s Reply: The fiscal court is required to pay invoices within 30 working days as required by KRS 65.140(2), regardless of whether a vendor is made aware that the fiscal court only meets once a month.

2023-005 The Breckinridge County Jail’s Annual Commissary Report Did Not Include All Required Elements

This is a repeat finding and was included in the prior year report as finding 2022-001. The Breckinridge County Jail’s Annual Commissary Report does not include the beginning or ending cash balance of the commissary account nor meet the minimum accounting requirements established by Department for Local Government’s *County Budget Preparation and State Local Finance Officer Policy Manual*.

The jail bookkeeper stated that she was unaware of this requirement to include the beginning and ending cash balances on the annual commissary report to the county treasurer. There was a lack of understanding of the minimum accounting requirements for jail commissary reporting.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-005 The Breckinridge County Jail's Annual Commissary Report Did Not Include All Required Elements (Continued)

When required elements, which includes the beginning and ending cash balances, are omitted from the annual commissary report, it renders the report inadequate and not useful or reliable. Inadequate financial reporting also provides the opportunity for fraud or errors.

KRS 441.135(2) states, in part, “[t]he jailer shall keep books of accounts of all receipts and disbursements from the canteen and shall annually report to the county treasurer on the canteen account.” KRS 68.210 gives the State Local Finance Officer the authority to prescribe a system of uniform accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* presents a guideline of the Annual Commissary Report which includes Beginning Cash Balance, Total Receipts, Total Funds Available, Total Expenditures and Ending Cash Balance. The report is to be utilized by county jailers for jail commissary funds maintained pursuant to KRS 441.135. The understanding of minimum report requirements is a basic internal control necessary to ensure the accuracy and reliability of financial reports.

We recommend the Breckinridge County Jailer submit an annual commissary report prepared in accordance with the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual* to the county treasurer.

Jailer's Response: We believe that the trial balance report is sufficient as the beginning/ending balance is indicated on this report.

Auditor's Reply: The annual commissary report presented to the county treasurer did not meet the minimum accounting requirements established by the Department for Local Government's County Budget Preparation and State Local Finance Officer Policy Manual.

THIS PAGE LEFT BLANK INTENTIONALLY

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

BRECKINRIDGE COUNTY FISCAL COURT

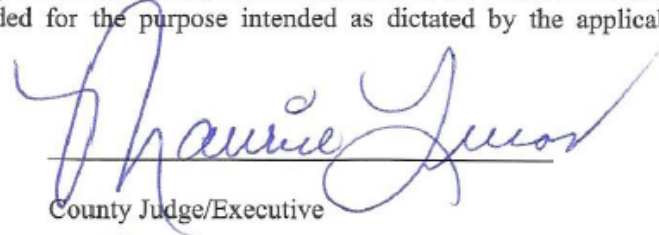
For The Year Ended June 30, 2023

THIS PAGE LEFT BLANK INTENTIONALLY

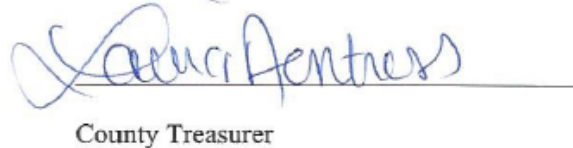
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
BRECKINRIDGE COUNTY FISCAL COURT

For The Year Ended June 30, 2023

The Breckinridge 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