

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

**For The Year Ended
June 30, 2025**



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

Independent Auditor's Report

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable 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, 2025, 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, 2025, 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, 2025, 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 the 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
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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the 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.

In preparing the financial statements, management is required to evaluate whether 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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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.

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

- 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.

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.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2026, 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.

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

- 2025-001 The Breckinridge County Fiscal Court Did Not Have Adequate Internal Controls Over Bidding Processes
- 2025-002 The Breckinridge County Fiscal Court Did Not Have Adequate Internal Controls Over Offsite Receipts
- 2025-003 The Breckinridge County Fiscal Court's Schedule Of Leases Was Materially Misstated

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

May 28, 2026

BRECKINRIDGE COUNTY OFFICIALS**For The Year Ended June 30, 2025****Fiscal Court Members:**

Maurice Lucas	County Judge/Executive
Jeremy Armstrong	Magistrate
Shane Beavin	Magistrate
Gary Greenwell	Magistrate
David Albright	Magistrate
Sam Moore	Magistrate
Brandon Henning	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
William Lohden	Coroner

Appointed Personnel:

Laura Fentress	County Treasurer
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BRECKINRIDGE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2025

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

For The Year Ended June 30, 2025

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 4,028,556	\$	\$
In Lieu Tax Payments	40,956		
Excess Fees	429,180		
Licenses and Permits	46,673		
Intergovernmental	937,798	2,276,282	2,161,204
Charges for Services	64,031		116,332
Miscellaneous	584,296	25,164	98,726
Interest	14,163	2,495	113
Total Receipts	<u>6,145,653</u>	<u>2,303,941</u>	<u>2,376,375</u>
DISBURSEMENTS			
General Government	1,713,140		
Protection to Persons and Property	667,930		2,091,956
General Health and Sanitation	494,765		215,940
Social Services	64,393		
Recreation and Culture	113,011		
Roads		2,115,581	
Airports	15,913		
Bus Services	93,760		
Debt Service	89,247	43,093	387,952
Capital Projects	325,239		
Administration	2,002,727	205,909	522,721
Total Disbursements	<u>5,580,125</u>	<u>2,364,583</u>	<u>3,218,569</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>565,528</u>	<u>(60,642)</u>	<u>(842,194)</u>
Other Adjustments to Cash (Uses)			
Change in Payroll Revolving Account	(64,311)		
Transfers From Other Funds	294,572		490,000
Transfers To Other Funds	(490,000)		
Total Other Adjustments to Cash (Uses)	<u>(259,739)</u>		<u>490,000</u>
Net Change in Fund Balance	305,789	(60,642)	(352,194)
Fund Balance - Beginning (Restated)	<u>4,896,255</u>	<u>419,113</u>	<u>502,250</u>
Fund Balance - Ending	<u>\$ 5,202,044</u>	<u>\$ 358,471</u>	<u>\$ 150,056</u>
Composition of Fund Balance			
Bank Balance	\$ 5,197,737	\$ 360,188	\$ 198,873
Less: Outstanding Checks	(32,736)	(1,717)	(48,817)
Payroll Revolving Account Reconciled Balance	37,043		
Fund Balance - Ending	<u>\$ 5,202,044</u>	<u>\$ 358,471</u>	<u>\$ 150,056</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, 2025
(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
\$	\$	\$	\$	\$	\$ 4,028,556
					40,956
					429,180
					46,673
122,277			951,975		6,449,536
		41,610		334,763	180,363
339	3,256	301			1,084,559
122,616	3,256	41,911	951,975	334,763	20,667
					12,280,490
930					1,714,070
18,071					2,777,957
					710,705
18,757					83,150
80,000				334,894	527,905
	485,785				2,601,366
					15,913
					93,760
			951,975		1,472,267
	899,233				1,224,472
					2,731,357
117,758	1,385,018		951,975	334,894	13,952,922
4,858	(1,381,762)	41,911		(131)	(1,672,432)
					(64,311)
					784,572
	(294,572)				(784,572)
	(294,572)				(64,311)
4,858	(1,676,334)	41,911		(131)	(1,736,743)
117,519	1,693,596	78,149		4,542	7,711,424
\$ 122,377	\$ 17,262	\$ 120,060	\$ 0	\$ 4,411	\$ 5,974,681
\$ 132,405	\$ 17,262	\$ 120,060	\$	\$ 12,211	\$ 6,038,736
(10,028)				(7,800)	(101,098)
					37,043
\$ 122,377	\$ 17,262	\$ 120,060	\$ 0	\$ 4,411	\$ 5,974,681

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

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TO THE FINANCIAL STATEMENT**

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**BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2025

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, it no longer is a required component of the reporting entity. An audit of the entity referenced above can be obtained from the Breckinridge County Fiscal Court: 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, 2025
(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 the fiscal court holds these funds on the county 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, 2025
(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, 2025
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the Breckinridge County United Economic Development is considered a related organization of the Breckinridge County Fiscal Court.

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's) *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 DLG's *County Budget Preparation and State Local Finance Officer Policy Manual*. As of June 30, 2025, 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 2025.

	General Fund	Federal Grants Fund	Total Transfers In
General Fund	\$	\$ 294,572	\$ 294,572
Jail Fund	490,000		490,000
Total Transfers Out	<u>\$ 490,000</u>	<u>\$ 294,572</u>	<u>\$ 784,572</u>

Reason for transfers:

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

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2025
(Continued)

Note 4. Custodial Funds

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

The fiscal court has the following custodial fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the Jail Inmate Fund as of June 30, 2025, was \$6,526.

Note 5. Receivables

The Breckinridge County Fiscal Court entered into a financing obligation with KACoLT for the acquisition, construction, and equipping of an emergency service building. The Breckinridge County Fiscal Court has an informal agreement with the Custer Volunteer Fire Department, whereby the fire department will make annual payments of \$10,000 to the fiscal court each year until the obligation is satisfied. The Custer Volunteer Fire Department did not begin making payments to the Breckinridge County Fiscal Court until fiscal year 2016 and only paid \$5,000 for fiscal year 2019; therefore, the receivable will extend past the final payment of the financing obligation on December 20, 2033.

The balance of the receivable as of June 30, 2025, was \$116,867. Future amounts due to the Breckinridge County Fiscal Court are:

Fiscal Year Ended June 30	Amount
2025*	\$ 10,000
2026	10,000
2027	10,000
2028	10,000
2029	10,000
2030-2034	50,000
2035-2037	16,867
Totals	<u>\$ 116,867</u>

* The Custer Volunteer Fire Department paid the fiscal year 2025 payment on July 15, 2025.

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2025
(Continued)

Note 6. Commitments – Lease Agreements and Subscriptions

A. Leases – Lessor

The Breckinridge County Fiscal Court was committed to the following lease agreements as lessor as of June 30, 2025:

Description	Effective Date	Length of Term	Frequency of Payments	Ending Date	Amount of Payments	Balance June 30, 2025
McDaniels Fire Department ¹	1/1/2023	25 years	N/A	12/31/2047	\$ 0	\$ 0
Administrative Office of the Courts	6/1/2017	14 years	Annually	2/1/2031	\$ 951,975	\$ 5,709,822

¹Lease payments are \$1 annually, payable in advance. The lessee prepaid the entire \$25 lease obligation; therefore, no lease receivable was outstanding as of June 30, 2025.

B. Leases – Lessee

The Breckinridge County Fiscal Court was committed to the following lease agreements as lessee as of June 30, 2025:

Description	Effective Date	Length of Term	Frequency of Payments	Ending Date	Amount of Payments	Balance June 30, 2025
Copiers	2/20/2023	63 months	Monthly	7/20/2028	\$ 588	\$ 20,302
Printer	4/17/2023	63 months	Monthly	9/17/2028	\$ 243	\$ 8,299
Dispatch Chairs	5/5/2023	3 years	Annually	5/5/2026	\$ 1,093	\$ 1,051
Custom Lighting System	7/1/2021	180 months	Monthly	6/30/2036	\$ 1,233	\$ 167,666

C. Subscription-Based Information Technology Arrangements (SBITA)

The Breckinridge County Fiscal Court was committed to the following SBITAs as of June 30, 2025:

Description	Effective Date	Length of Term	Frequency of Payments	Ending Date	Amount of Payments	Balance June 30, 2025
E911 Mapping-GIS Software	11/18/2024	1 year	Annually	12/31/2025	\$ 5,040	\$ 0
Road Work Order Software	7/1/2021	4 years	Annually	6/30/2025	\$ 6,439	\$ 0

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2025
(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 rate. 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% effective interest rate. The maturity date of the obligation was January 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; or
- (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, 2025, the principal balance was \$0.

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 the acquisition, construction, and equipping of an emergency service building.

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.

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2025
(Continued)

Note 7. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

2. Emergency Services Building (Continued)

As of June 30, 2025, the principal balance was \$95,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2026	5,000	3,163
2027	10,000	2,925
2028	10,000	2,600
2029	10,000	2,263
2030	10,000	1,912
2031-2034	50,000	4,025
Totals	<u>\$ 95,000</u>	<u>\$ 16,888</u>

3. 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 the 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 the 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 the lessee, holding the 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.

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2025
(Continued)

Note 7. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

3. Trucks (Continued)

As of June 30, 2025, the principal balance was \$41,809. Future principal and interest requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2026	41,809	1,079
Totals	<u>\$ 41,809</u>	<u>\$ 1,079</u>

4. Motorola Console System

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

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 the 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 the 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, 2025, the principal balance was \$92,350. Future principal and interest requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2026	29,372	4,368
2027	30,762	2,978
2028	32,216	1,524
Totals	<u>\$ 92,350</u>	<u>\$ 8,870</u>

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2025
(Continued)

Note 7. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

5. 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 biennial lease that will cover the debt costs and will be paid 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. 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.

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2025
(Continued)

Note 7. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

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

As of June 30, 2025, the principal balance was \$5,229,598. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2026	818,974	134,401
2027	835,221	113,353
2028	860,887	91,888
2029	883,799	69,763
2030	905,813	47,049
2031	924,904	23,770
Totals	<u>\$ 5,229,598</u>	<u>\$ 480,224</u>

6. Sheriff's Trucks

On August 25, 2023, the Breckinridge County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) in the sum of \$131,476 at a 5.39% interest rate. The financing obligation was for the acquisition of two trucks for the sheriff's office. The maturity date of the obligation was December 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 the 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 the lessee, holding the 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 the lessor by applicable law.

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2025
(Continued)

Note 7. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

6. Sheriff's Trucks (Continued)

As of June 30, 2025, the principal balance was \$44,559. Future principal and interest requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2026	<u>44,559</u>	<u>2,453</u>
Totals	<u>\$ 44,559</u>	<u>\$ 2,453</u>

B. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2025, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Direct Borrowings and Direct Placements	<u>\$ 6,792,802</u>	<u>\$</u>	<u>\$1,299,486</u>	<u>\$ 5,493,316</u>	<u>\$ 939,714</u>
Total Long-term Debt	<u>\$ 6,792,802</u>	<u>\$ 0</u>	<u>\$ 1,299,486</u>	<u>\$ 5,493,316</u>	<u>\$ 939,714</u>

C. Aggregate Debt Schedule

The amount of required principal and interest payments on long-term obligations on June 30, 2025, were as follows:

	<u>Direct Borrowings and Direct Placements</u>	
<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2026	939,714	145,464
2027	875,983	119,256
2028	903,103	96,012
2029	893,799	72,026
2030	915,813	48,961
2031-2034	<u>964,904</u>	<u>27,795</u>
Totals	<u>\$ 5,493,316</u>	<u>\$ 509,514</u>

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2025
(Continued)

Note 8. Commitments and Contingencies

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

Note 9. Employee Retirement System

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS). 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 Kentucky Retirement Systems (Ky. Ret. Sys.). The CERS nine member board of trustees is responsible for the governance of the CERS pension and insurance plans.

The county's contribution for FY 2023 was \$1,043,670, FY 2024 was \$1,052,772, and FY 2025 was \$958,774.

Nonhazardous

Nonhazardous covered employees are required to contribute 5% of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 6% of their salary to be allocated as follows: 5% will go to the member's account and 1% will be allocated to CERS's share of assets in the Ky. Ret. Sys. insurance trust 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% of their annual creditable compensation. Nonhazardous members also contribute 1% 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 CERS Board of Trustees 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% 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 19.71%.

Hazardous

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

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2025
(Continued)

Note 9. Employee Retirement System (Continued)

Hazardous (Continued)

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

Members in the plan contribute a set percentage of their salary each month to their own accounts. Hazardous members contribute 8% of their annual creditable compensation and also contribute 1% 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 Trustees 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% employer pay credit. The employer pay credit represents a portion of the employer contribution.

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

The county's contribution rate for hazardous employees was 38.61%.

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 \$10 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.

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2025
(Continued)

Note 9. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (Continued)

Hazardous employees whose participation began on or after July 1, 2003, earn \$15 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 \$10 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 \$10 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%. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

The monthly insurance benefit has been increased annually as a 1.5% 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. Health Insurance Coverage - Tier 2 and Tier 3 - Hazardous

Once members reach a minimum vesting period of 15 years, they earn \$15 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%. Upon the death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's hazardous service. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

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

D. Cost of Living Adjustments - Tier 1

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of Ky. Ret. Sys. benefits. During the 2008 Special Session, the General Assembly determined that each July beginning in 2009, retirees who have been receiving a retirement allowance for at least 12 months will receive an automatic COLA of 1.5%. 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.

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2025
(Continued)

Note 9. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

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

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

F. Death Benefit

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

G. Annual Financial Report and Proportionate Share Audit Report

KPPA 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. Some reports may also be obtained online at <https://kyret.ky.gov>.

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

Note 10. 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.

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2025
(Continued)

Note 11. Insurance

For the fiscal year ended June 30, 2025, 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 12. Payroll Revolving Account

The reconciled balance of the payroll revolving account as of June 30, 2025, was added to the General Fund cash balance for financial reporting purposes.

Note 13. Conduit Debt

From time to time, the county has issued bonds and notes to provide financial assistance to various 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, 2025, conduit debt has been issued but the amount currently outstanding is not reasonably determinable.

Note 14. Prior Period Adjustments

	General Fund	Road Fund
Ending Fund Balances Prior Year	\$ 4,893,837	\$ 417,170
Rounding	(1)	
Prior Year Voided Checks	2,419	1,943
Beginning Fund Balances Restated	<u>\$ 4,896,255</u>	<u>\$ 419,113</u>

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BRECKINRIDGE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2025

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BRECKINRIDGE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2025

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 2,759,832	\$ 2,759,832	\$ 4,028,556	\$ 1,268,724
In Lieu Tax Payments	20,000	20,000	40,956	20,956
Excess Fees	50,000	50,000	429,180	379,180
Licenses and Permits	39,500	39,500	46,673	7,173
Intergovernmental	876,367	1,081,367	937,798	(143,569)
Charges for Services	18,000	18,000	64,031	46,031
Miscellaneous	166,100	166,100	584,296	418,196
Interest			14,163	14,163
Total Receipts	<u>3,929,799</u>	<u>4,134,799</u>	<u>6,145,653</u>	<u>2,010,854</u>
DISBURSEMENTS				
General Government	2,093,022	2,140,722	1,713,140	427,582
Protection to Persons and Property	757,850	717,891	667,930	49,961
General Health and Sanitation	705,979	702,721	494,765	207,956
Social Services	30,187	64,580	64,393	187
Recreation and Culture	178,415	344,539	113,011	231,528
Airports	15,045	16,164	15,913	251
Bus Services	162,000	160,881	93,760	67,121
Debt Service	42,065	42,065	89,247	(47,182)
Capital Projects	231,486	526,058	325,239	200,819
Administration	<u>2,693,630</u>	<u>2,693,630</u>	<u>2,002,727</u>	<u>690,903</u>
Total Disbursements	<u>6,909,679</u>	<u>7,409,251</u>	<u>5,580,125</u>	<u>1,829,126</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,979,880)</u>	<u>(3,274,452)</u>	<u>565,528</u>	<u>3,839,980</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			294,572	294,572
Transfers To Other Funds	<u>(490,000)</u>	<u>(490,000)</u>	<u>(490,000)</u>	
Total Other Adjustments to Cash (Uses)	<u>(490,000)</u>	<u>(490,000)</u>	<u>(195,428)</u>	<u>294,572</u>
Net Change in Fund Balance	(3,469,880)	(3,764,452)	370,100	4,134,552
Fund Balance - Beginning (Restated)	<u>3,469,880</u>	<u>3,469,880</u>	<u>4,896,255</u>	<u>1,426,375</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (294,572)</u>	<u>\$ 5,266,355</u>	<u>\$ 5,560,927</u>

BRECKINRIDGE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2025
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 2,120,283	\$ 2,120,283	\$ 2,276,282	\$ 155,999
Miscellaneous	25,000	25,000	25,164	164
Interest			2,495	2,495
Total Receipts	<u>2,145,283</u>	<u>2,145,283</u>	<u>2,303,941</u>	<u>158,658</u>
DISBURSEMENTS				
Roads	2,690,534	2,713,244	2,115,581	597,663
Debt Service	43,093	43,093	43,093	
Administration	376,877	354,167	205,909	148,258
Total Disbursements	<u>3,110,504</u>	<u>3,110,504</u>	<u>2,364,583</u>	<u>745,921</u>
Net Change in Fund Balance	(965,221)	(965,221)	(60,642)	904,579
Fund Balance - Beginning (Restated)	<u>965,221</u>	<u>965,221</u>	<u>419,113</u>	<u>(546,108)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 358,471</u>	<u>\$ 358,471</u>

BRECKINRIDGE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2025
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 2,401,360	\$ 2,401,360	\$ 2,161,204	\$ (240,156)
Charges for Services	120,000	120,000	116,332	(3,668)
Miscellaneous	46,000	46,000	98,726	52,726
Interest	250	250	113	(137)
Total Receipts	<u>2,567,610</u>	<u>2,567,610</u>	<u>2,376,375</u>	<u>(191,235)</u>
DISBURSEMENTS				
Protection to Persons and Property	2,137,921	2,181,409	2,091,956	89,453
General Health and Sanitation	256,384	249,495	215,940	33,555
Debt Service	387,952	387,952	387,952	
Administration	<u>575,353</u>	<u>538,754</u>	<u>522,721</u>	<u>16,033</u>
Total Disbursements	<u>3,357,610</u>	<u>3,357,610</u>	<u>3,218,569</u>	<u>139,041</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(790,000)</u>	<u>(790,000)</u>	<u>(842,194)</u>	<u>(52,194)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>490,000</u>	<u>490,000</u>	<u>490,000</u>	
Total Other Adjustments to Cash (Uses)	<u>490,000</u>	<u>490,000</u>	<u>490,000</u>	
Net Change in Fund Balance	(300,000)	(300,000)	(352,194)	(52,194)
Fund Balance - Beginning	<u>300,000</u>	<u>300,000</u>	<u>502,250</u>	<u>202,250</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 150,056</u>	<u>\$ 150,056</u>

BRECKINRIDGE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2025
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 90,000	\$ 90,000	\$ 122,277	\$ 32,277
Interest			339	339
Total Receipts	90,000	90,000	122,616	32,616
DISBURSEMENTS				
General Government	1,500	1,500	930	570
Protection to Persons and Property	41,000	41,000	18,071	22,929
Social Services	23,675	24,675	18,757	5,918
Recreation and Culture	81,000	81,000	80,000	1,000
Administration	5,000	4,000		4,000
Total Disbursements	152,175	152,175	117,758	34,417
Net Change in Fund Balance	(62,175)	(62,175)	4,858	67,033
Fund Balance - Beginning	62,175	62,175	117,519	55,344
Fund Balance - Ending	\$ 0	\$ 0	\$ 122,377	\$ 122,377

BRECKINRIDGE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2025
(Continued)

FEDERAL GRANTS FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Interest	\$	\$	\$ 3,256	\$ 3,256
Total Receipts			3,256	3,256
DISBURSEMENTS				
Roads	606,945	485,785	485,785	
Capital Projects	990,139	899,233	899,233	
Total Disbursements	1,597,084	1,385,018	1,385,018	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,597,084)	(1,385,018)	(1,381,762)	3,256
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(294,572)	(294,572)
Total Other Adjustments to Cash (Uses)			(294,572)	(294,572)
Net Change in Fund Balance	(1,597,084)	(1,385,018)	(1,676,334)	(291,316)
Fund Balance - Beginning	1,597,084	1,679,590	1,693,596	14,006
Fund Balance - Ending	\$ 0	\$ 294,572	\$ 17,262	\$ (277,310)

BRECKINRIDGE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2025
(Continued)

SPECIAL CLERK FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Miscellaneous	\$ 40,500	\$ 40,500	\$ 41,610	\$ 1,110
Interest			301	301
Total Receipts	40,500	40,500	41,911	1,411
DISBURSEMENTS				
General Government	40,500	40,500		40,500
Total Disbursements	40,500	40,500		40,500
Net Change in Fund Balance			41,911	41,911
Fund Balance - Beginning			78,149	78,149
Fund Balance - Ending	\$ 0	\$ 0	\$ 120,060	\$ 120,060

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

June 30, 2025

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

Reconciliation of the General Fund

Other Adjustments to Cash (Uses) - Budgetary Basis	\$ (195,428)
To adjust for change in payroll revolving account	<u>(64,311)</u>
Total Other Adjustments to Cash (Uses) - Regulatory Basis	<u><u>\$ (259,739)</u></u>
 Fund Balance - Ending - Budgetary Basis	 \$ 5,266,355
To adjust for change in payroll revolving account	<u>(64,311)</u>
Total Fund Balance - Ending - Budgetary Basis	<u><u>\$ 5,202,044</u></u>

Note 3. Excess of Disbursements Over Appropriations

The General Fund, debt service line-item exceeded budgeted appropriations by \$47,182.

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

For The Year Ended June 30, 2025

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BRECKINRIDGE COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2025

The fiscal court reports the following Schedule of Capital Assets:

	(Restated*) Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 1,992,546	\$	\$	\$ 1,992,546
Buildings and Building Improvements*	23,560,368			23,560,368
Machinery and Equipment*	3,712,676	193,000		3,905,676
Vehicles*	2,579,102	128,000	115,188	2,591,914
Infrastructure	15,940,973	1,448,002		17,388,975
Total Capital Assets	<u>\$ 47,785,665</u>	<u>\$ 1,769,002</u>	<u>\$ 115,188</u>	<u>\$ 49,439,479</u>

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

June 30, 2025

Note 1. Capital Assets

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

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	5-15
Infrastructure	\$ 20,000	10-50

Note 2. Restatement of Beginning Capital Assets Balance

	Buildings and Building Improvements	Machinery and Equipment	Vehicles
Prior Year Ending Balance	\$ 22,438,652	\$ 3,362,210	\$ 2,334,902
Prior Year Error	1,121,716	350,466	244,200
Beginning Balances Restated	<u>\$ 23,560,368</u>	<u>\$ 3,712,676</u>	<u>\$ 2,579,102</u>

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

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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, 2025, 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 May 28, 2026.

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 another deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2025-001 and 2025-003 to be material weaknesses.



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

Report on Internal Control Over Financial Reporting (Continued)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2025-002 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Breckinridge County Fiscal Court's financial statement is free from 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 2025-001 and 2025-003.

Views of Responsible Official and Planned Corrective Action

Government Auditing Standards requires the auditor to perform limited procedures on 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 the response.

Purpose of this Report

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

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

May 28, 2026

**BRECKINRIDGE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2025

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**BRECKINRIDGE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2025

2025-001 The Breckinridge County Fiscal Court Did Not Have Adequate Internal Controls Over Bidding Processes

Condition and Context

This is a repeat finding and was included in the prior year audit report as finding 2024-002. The Breckinridge County Fiscal Court failed to implement internal controls over bidding processes. We tested 26 transactions totaling \$3,685,684, which resulted in the following issues:

- The fiscal court failed to properly procure bids for the food service contract at the Breckinridge County Detention Center, which totaled \$317,884.
- Bids to provide road tile and crushed stone to the fiscal court were accepted from multiple vendors. The total expenditures for crushed stone, gravel, and road tile during fiscal year 2025 were \$254,597 and \$7,542, respectively.

Cause

The deviations above are the result of a weak control environment over the purchasing process to ensure purchases exceeding statutory bid thresholds were competitively bid in accordance with state law. In addition, according to jailer's finance officer, the jailer did not procure bids for food services but rather renewed the existing contract with the previous vendor.

Effect

The issues noted above resulted in the county not being in compliance with state laws and its own administrative code. Additionally, by not advertising for bids for food services at the detention center, the county may not have received the best price for that service.

Criteria

KRS 178.140 (1) "All bids for the construction or maintenance of county roads and bridges shall be received at the time and place specified in the advertisement, and shall be opened publicly at the time of awarding, and the amount of items comprising each bid shall be publicly announced. (2) The contract shall be awarded to the lowest and best bidder, who shall furnish satisfactory security in an amount equal to the amount of the contract in question, to be approved by the county judge/executive of the county. "

During the fiscal year examined, KRS 424.260(1) stated, "[e]xcept where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract, lease, or other agreement for: (a) Materials; (b) Supplies, except perishable foods such as meat, poultry, fish, egg products, fresh vegetables, and fresh fruits; (c) Equipment; or (d) Contractual services other than professional; involving an expenditure of more than forty thousand dollars (\$40,000) without first making newspaper advertisement for bids."

The Breckinridge County Fiscal Court's Administration Code states "[a]ny expenditures or contract for materials, supplies (except perishable meat, fish, and vegetables), or for contractual services other than professional, involving an expenditure of more than Thirty Thousand Dollars (\$30,000) shall be subject to competitive bidding."

Reviewing and monitoring purchases is a basic internal control necessary to ensure the county is complying with competitive bidding requirements.

BRECKINRIDGE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2025
(Continued)

2025-001 The Breckinridge County Fiscal Court Did Not Have Adequate Internal Controls Over Bidding Processes (Continued)

Recommendations

We recommend the Breckinridge County Fiscal Court and Jailer comply with KRS 424.260 and the Breckinridge County Administrative Code by advertising bid requests for purchases exceeding \$30,000. We also recommend the fiscal court comply with KRS 178.140 by awarding contracts related to the construction or maintenance of county roads and bridges to the lowest and best bidder. Additionally, we recommend the county establish and implement adequate internal controls over the procurement process to ensure purchases subject to bidding requirements are competitively procured, documented, and approved in accordance with state law and county policy.

Views of Responsible Official and Planned Corrective Action

County Judge/Executive's Response: We are aware of the bidding requirements and will take proper steps to ensure that process is followed in the future.

2025-002 The Breckinridge County Fiscal Court Did Not Have Adequate Internal Controls Over Offsite Receipts

Condition and Context

The Breckinridge County Fiscal Court failed to implement adequate controls over receipts collected offsite at the community swimming pool and the animal shelter. Triplicate receipts were not issued when funds were received at the animal shelter. Deposits were only being turned over to the county treasurer twice a month and did not include supporting deposit detail documentation. Also, debit and credit card processing fees were not properly accounted for on the animal shelter daily checkout sheet.

Testing of swimming pool receipts and related documentation identified the following exceptions:

- Daily checkout sheets were not prepared for the eight days tested.
- One instance of daily receipts not being deposited timely.
- One instance of a daily checkout sheet not being properly totaled or agreeing to the total collections received.
- The community swimming pool was used for instructional activities without documented approval or payment of applicable rental fees.

Cause

Receipts collected at the animal shelter were only turned over to the county treasurer twice a month because the animal shelter coordinator was unaware that daily deposits were a requirement. In addition, per county staff, swimming pool receipts are not always deposited timely due to the timing of when the treasurer receives the funds. Also, per the county judge/executive, the swimming pool was used by an individual who was not charged rental fees because of a verbal agreement between the county judge/executive and the individual. According to the county judge/executive, the individual volunteered to perform maintenance work to keep the pool in good condition, and, in return, the individual would be allowed to use the pool to teach water aerobics classes without being charged rental fees.

BRECKINRIDGE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2025
(Continued)

2025-002 The Breckinridge County Fiscal Court Did Not Have Adequate Internal Controls Over Offsite Receipts (Continued)

Effect

Because offsite receipts were not properly documented and deposited on a daily basis, the funds were vulnerable to loss or theft. Additionally, the lack of a formal written agreement or fiscal court approval for use of county facilities weakens accountability over county assets and resulted in management overriding established controls related to rental fees and facility usage.

Criteria

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 proper documentation, approval, and timely deposit of offsite receipts, along with formal approval and documentation for county facility usage, are basic controls necessary to ensure accountability and reduce the risk of loss or misuse of public funds and assets.

KRS 64.840(1) requires receipts in triplicate for the payment of any fee in cash or in person. KRS 64.840(2) requires one copy of the receipt to be placed with the daily bank deposit, one copy to be retained by the fiscal court for its records, and one copy to be issued to the person paying the fee.

Additionally, 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 into a federally insured banking institution.

Recommendations

We recommend that the Breckinridge County Fiscal Court ensure that all documentation supplied by off-site locations matches the total being deposited. All funds received offsite should be deposited intact on a daily basis into a federally insured banking institution, and those deposits should be properly supported by receipts and daily checkout sheets. We also recommend the county to have fiscal court approval for any agreements between individuals and fiscal court for use of county facilities, and that agreements be documented.

Views of Responsible Official and Planned Corrective Action

County Judge/Executive's Response: This finding primarily concerns the Animal Shelter and pool receipts and we have emphasized the correct procedure to follow when handling those funds.

BRECKINRIDGE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2025
(Continued)

2025-003 The Breckinridge County Fiscal Court's Schedule Of Leases Was Materially Misstated

Condition and Context

The Breckinridge County Fiscal Court failed to include its' judicial center lease from the lease worksheet required by the Department For Local Government. As the lessor in this agreement with the Administrative Office of the Courts (AOC), the fiscal court failed to include lease receivables totaling \$5,709,822 as of June 30, 2025.

Cause

The county judge/executive's administrative assistant followed guidance she received from the Department for Local Government, informing her the AOC lease did not meet the definition of a GASB 87 lease, and was not required to be included on the lease worksheet.

Effect

The fiscal court's notes to the financial statements were understated by \$5,709,822 and therefore did not accurately reflect financial status of the fiscal court which could affect the decisions of end users.

Criteria

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. According to the *County Budget Preparation and State Local Finance Officer Policy Manual*, all financial activity, including transactions through a third party, must be recorded on the county's financial statements. In addition, the manual states, "[i]n order to achieve fair presentation, the notes to the financial statement(s), whether prepared utilizing the regulatory basis or GAAP basis, should include all informative disclosures that are appropriate, including all matters that affect the financial statements' use, understanding and interpretation."

GASB Statement No. 87 requires governments to disclose information about lease arrangements in the notes to the financial statements.

Recommendation

We recommend the fiscal court implement controls to ensure all leases are disclosed.

Views of Responsible Official and Planned Corrective Action

County Judge/Executive's Response: We agree to this finding and steps have been taken to correct this.

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

BRECKINRIDGE COUNTY FISCAL COURT

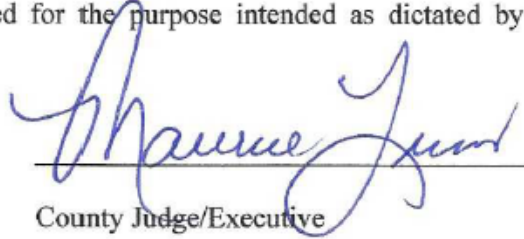
For The Year Ended June 30, 2025

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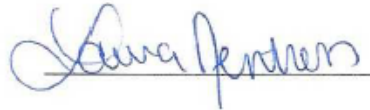
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
COUNTY FISCAL COURT

For The Year Ended June 30, 2025

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