

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

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



**ALLISON BALL
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CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
CALDWELL COUNTY OFFICIALS.....	5
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - REGULATORY BASIS.....	8
NOTES TO FINANCIAL STATEMENT.....	12
BUDGETARY COMPARISON SCHEDULES.....	25
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES.....	38
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	41
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	42
SCHEDULE OF CAPITAL ASSETS.....	45
NOTES TO OTHER INFORMATION - REGULATORY BASIS SCHEDULE OF CAPITAL ASSETS.....	46
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>	49
REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE	53
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	59
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	

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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 William "Kota" Young, Caldwell County Judge/Executive
Members of the Caldwell 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 Balance – Regulatory Basis of the Caldwell County Fiscal Court, for the year ended June 30, 2025, and the related notes to the financial statement, which collectively comprise the Caldwell County Fiscal Court's financial statement as listed in the table of contents.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matters discussed in the Basis for Qualified Opinion on Regulatory Basis of Accounting paragraph, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and changes in fund balances – regulatory basis of the Caldwell 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 Caldwell 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 Qualified and Adverse 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 Caldwell 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 qualified and adverse audit opinions.



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Basis for Qualified Opinion on Regulatory Basis of Accounting

The regulatory basis of accounting requires the Jail Commissary Fund receipts and disbursements to be included on the Caldwell County Fiscal Court’s Statement of Receipts, Disbursements, and Changes in Fund Balances – Regulatory Basis. The Caldwell County Jailer did not maintain adequate accounting records or properly account for the receipts and disbursements of the Jail Commissary Fund. In addition, we determined the fraud risk to be too high and were unable to apply other procedures to mitigate this risk. We were also unable to obtain required written management representations from the Caldwell County Jailer, which results in a management-imposed scope limitation. Management is required to provide written representation to assert that they have fulfilled their responsibility for the preparation and fair presentation of the financial statements and that the information provided to the auditor is complete. As a result, auditors were unable to obtain sufficient appropriate audit evidence to conclude that the financial information provided for the jail commissary receipts, disbursements, and fund balance were free from material misstatement or reasonably accurate and management did not provide the required written representations.

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 Caldwell 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

Caldwell 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 Caldwell 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.

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

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

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

To the People of Kentucky
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 Members of the Caldwell County Fiscal Court

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 March 18, 2026, on our consideration of the Caldwell 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 Caldwell 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 Questioned Costs included herein, which discusses the following report findings:

- 2025-001 The Caldwell County Jailer Failed To Implement Sufficient Internal Controls Over The Accounting And Financial Reporting Functions Of The Commissary Fund Resulting In Misappropriation And Misstatement
- 2025-002 The Caldwell County Fiscal Court Does Not Have Adequate Internal Controls Over Disbursements
- 2025-003 The Caldwell County Fiscal Court Did Not Properly Classify Federal Disaster Reimbursements
- 2025-004 The Caldwell County Fiscal Court Does Not Have Adequate Internal Controls Over Receipts Collected At The Animal Shelter
- 2025-005 The Caldwell County Fiscal Court Transferred Restricted Road Funds Without Proper Documentation
- 2025-006 The Caldwell County Fiscal Court Does Not Have Adequate Controls Over Occupational Tax Receipts
- 2025-007 The Schedule Of Expenditures Of Federal Awards (SEFA) Was Misstated

Respectfully submitted,



Allison Ball
 Auditor of Public Accounts
 Frankfort, Ky

March 18, 2026

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

William "Kota" Young	County Judge/Executive
Elbert Bennett	Magistrate
Jeff Boone	Magistrate
Jeff Simms	Magistrate
David Stallins	Magistrate

Other Elected Officials:

Roy Massey	County Attorney
William Harper	Jailer
Jennifer Hale	County Clerk
Christie Storm	Circuit Court Clerk
Don Weedman	Sheriff
Ronald Wood	Property Valuation Administrator
Dewayne Trafford	Coroner

Appointed Personnel:

Kasey Oliver	County Treasurer
Tammy Brasher	Finance Officer (July 2024 - March 2025)
Lori Dunning	Finance Officer (April 2025 - June 2025)

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

For The Year Ended June 30, 2025

CALDWELL 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	\$ 4,743,564	\$	\$
In Lieu Tax Payments	40,845		
Excess Fees	40,044		
Licenses and Permits	48,470		
Intergovernmental	802,946	2,760,798	97,538
Charges for Services			62,149
Miscellaneous	343,155	23,325	89,901
Interest	213,956	25,013	4,365
Total Receipts	<u>6,232,980</u>	<u>2,809,136</u>	<u>253,953</u>
DISBURSEMENTS			
General Government	902,268		
Protection to Persons and Property	1,048,068		874,625
General Health and Sanitation	107,276		
Social Services	7,000		
Recreation and Culture	71,400		
Roads		2,252,818	
Airports	10,000		
Capital Projects			
Administration	510,807	210,510	280,400
Total Disbursements	<u>2,656,819</u>	<u>2,463,328</u>	<u>1,155,025</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>3,576,161</u>	<u>345,808</u>	<u>(901,072)</u>
Other Adjustments to Cash (Uses)			
Change in Payroll Revolving Account	(10,743)		
Transfers From Other Funds	1,748,051	900,000	951,945
Transfers To Other Funds	(3,416,417)	(1,199,000)	
Total Other Adjustments to Cash (Uses)	<u>(1,679,109)</u>	<u>(299,000)</u>	<u>951,945</u>
Net Change in Fund Balance	1,897,052	46,808	50,873
Fund Balance - Beginning	4,356,919	55,250	49,623
Fund Balance - Ending	<u>\$ 6,253,971</u>	<u>\$ 102,058</u>	<u>\$ 100,496</u>
Composition of Fund Balance			
Bank Balance	\$ 6,274,787	\$ 116,816	\$ 102,158
Less: Outstanding Checks	(20,816)	(14,758)	(1,662)
Fund Balance - Ending	<u>\$ 6,253,971</u>	<u>\$ 102,058</u>	<u>\$ 100,496</u>

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

CALDWELL COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2025
(Continued)

Budgeted Funds						
Local Government Economic Assistance Fund	State Grant Fund	Federal Grant Fund	Sheriff Fund	Records Fund	Shelter Fund	Disaster Recovery Fund
\$	\$	\$	\$	\$	\$	\$
303,056	1,040,795	448,004	395,153		2,496	902,011
					4,125	
			19,247	27,170	18,428	
10,900			5,258	1,096	619	20,955
313,956	1,040,795	448,004	419,658	28,266	25,668	922,966
			847,183	27,213		
209,580					99,167	1,109,331
4,009						
	890,935	472,578				
	227,687		349,952		18,660	
213,589	1,118,622	472,578	1,197,135	27,213	117,827	1,109,331
100,367	(77,827)	(24,574)	(777,477)	1,053	(92,159)	(186,365)
	227,687	366,125	830,198		80,162	60,000
		(226,051)				(60,000)
	227,687	140,074	830,198		80,162	
100,367	149,860	115,500	52,721	1,053	(11,997)	(186,365)
180,236			50,555	27,295	13,148	1,000,979
\$ 280,603	\$ 149,860	\$ 115,500	\$ 103,276	\$ 28,348	\$ 1,151	\$ 814,614
\$ 280,603	\$ 149,860	\$ 115,500	\$ 103,443	\$ 28,379	\$ 1,582	\$ 814,614
			(167)	(31)	(431)	
\$ 280,603	\$ 149,860	\$ 115,500	\$ 103,276	\$ 28,348	\$ 1,151	\$ 814,614

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

CALDWELL COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2025
(Continued)

	Budgeted Funds			
	Economic Development Fund	Opioids Fund	American Rescue Plan Act Fund	Total Funds
RECEIPTS				
Taxes	\$	\$	\$	\$ 4,743,564
In Lieu Tax Payments				40,845
Excess Fees				40,044
Licenses and Permits				48,470
Intergovernmental				6,752,797
Charges for Services		44,039		110,313
Miscellaneous				521,226
Interest		9,106	25,450	316,718
Total Receipts		53,145	25,450	12,573,977
DISBURSEMENTS				
General Government				1,776,664
Protection to Persons and Property				3,241,604
General Health and Sanitation				206,443
Social Services				11,009
Recreation and Culture				71,400
Roads				2,252,818
Airports				10,000
Capital Projects			347,890	1,711,403
Administration				1,598,016
Total Disbursements			347,890	10,879,357
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		53,145	(322,440)	1,694,620
Other Adjustments to Cash (Uses)				
Change in Payroll Revolving Account				(10,743)
Transfers From Other Funds	300			5,164,468
Transfers To Other Funds			(263,000)	(5,164,468)
Total Other Adjustments to Cash (Uses)	300		(263,000)	(10,743)
Net Change in Fund Balance	300	53,145	(585,440)	1,683,877
Fund Balance - Beginning		165,120	925,602	6,824,727
Fund Balance - Ending	\$ 300	\$ 218,265	\$ 340,162	\$ 8,508,604
Composition of Fund Balance				
Bank Balance	\$ 300	\$ 218,265	\$ 340,162	\$ 8,546,469
Less: Outstanding Checks				(37,865)
Fund Balance - Ending	\$ 300	\$ 218,265	\$ 340,162	\$ 8,508,604

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	12
NOTE 2.	DEPOSITS	16
NOTE 3.	TRANSFERS.....	16
NOTE 4.	CUSTODIAL FUNDS	17
NOTE 5.	COMMITMENTS – LEASE AGREEMENTS.....	17
NOTE 6.	EMPLOYEE RETIREMENT SYSTEM	17
NOTE 7.	DEFERRED COMPENSATION.....	21
NOTE 8.	HEALTH REIMBURSEMENT ACCOUNT/FLEXIBLE SPENDING ACCOUNT	21
NOTE 9.	INSURANCE.....	21
NOTE 10.	TAX ABATEMENT	21
NOTE 11.	SUBSEQUENT EVENTS	22
NOTE 12.	INTERFUND RECEIVABLE AND PAYABLE	22

**CALDWELL COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2025

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Basis of Accounting

The financial statement is presented on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves the reporting of fund balances and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

This regulatory basis of accounting differs from GAAP primarily because the financial statement format does not include the GAAP presentations of government-wide and fund financial statements, cash receipts are recognized when received in cash rather than when earned and susceptible to accrual, and cash disbursements are recognized when paid rather than when incurred or subject to accrual.

Generally, except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary sources of receipts for this fund are state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal governments, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

CALDWELL 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)

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

State Grant Fund - The primary purpose of this fund is to account for various state grants and related disbursements. The primary sources of receipts for this fund are grants awarded by the state.

Federal Grant Fund - The primary purpose of this fund is to account for various federal grants and related disbursements. The primary sources of receipts for this fund are grants awarded by federal agencies.

Sheriff Fund - The primary purpose of this fund is to account for the receipts and disbursements to operate the sheriff's office. The primary source of receipts of this fund is from the sheriff's excess fees.

Records Fund - The primary purpose of this fund is to account for the receipts and disbursements associated with the preservation of records within the county clerk's recording department. The primary source of receipts for this fund is the county clerk's collection of storage fees.

Shelter Fund - The primary purpose of this fund is to account for the receipts and disbursements to operate the animal shelter. The primary source of receipts for this fund are fees collected at the animal shelter.

Disaster Recovery Fund - The primary purpose of this fund is to account for expenses related to disaster recovery. The primary source of receipts for this fund is reimbursement from federal and state agencies.

Economic Development Fund - The primary purpose of this fund is to account for the receipts and disbursements associated with economic development.

Opioids Fund - The primary purpose of this fund is to account for funds used to combat the county's opioid crisis. Receipts of this fund are received from the state as a result of the state's agreement with major opioid manufacturers and distributors.

American Rescue Plan Act Fund - The primary purpose of this fund is to account for receipts received from the federal government.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds

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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information

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

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

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

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

E. Caldwell County Elected Officials

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

G. Long-term Obligations

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

H. Jointly Governed Organizations and Joint Ventures

A regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that created the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest, or responsibility is a jointly governed organization. Based upon these criteria, the following are considered jointly governed organizations of the Caldwell County Fiscal Court:

Princeton-Caldwell County Industrial Development Authority
 City-County Park Board

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

Pennyrile Emergency Assistance Center – an interlocal agreement between City of Princeton and Caldwell County, Kentucky whereby both entities reestablish, restate, reaffirm and will continue to maintain and fund an emergency dispatch service center which will serve the residents of the City of Princeton and Caldwell County, Kentucky and other areas allowable by applicable law. Said financial responsibility for the agency shall be borne one-half (1/2) from each entity.

Pennyrile West Park Industrial Authority – an interlocal agreement between Caldwell County, Crittenden County, Livingston County, Lyon County and Trigg County. The purpose of this agreement is to allow the Authority to develop the Pennyrile WestPark Industrial Park and to seek funding as may be identified to assist in the acquisition, development, management and support of regional economic development projects in that park. Under this agreement, the Commonwealth will maintain ownership of the aforementioned property for regional development projects with the Secretary of the Finance and Administration Cabinet, having the authority and right to transfer title for all, or any portion of aforementioned industrial site property as long as the transfer is in accordance with the Memorandum of Understanding between the Commonwealth and Authority and approved by KEDFA upon recommendation of the Authority. Any funds that need to be generated by the Parties to this agreement will be funded to a pre-established investment plan, make each Party responsible for a specified percentage of the local funds needed.

Any local funds deemed necessary to market, engineer or perform any other activity to assist in the development of the proposed site shall be divided among the Parties in the following manner: Lyon County (40%), Trigg County (15%), Livingston County (15%), Caldwell County (15%) and Crittenden County (15%). Any Party that fails to contribute their required percentage of local funds to the Authority within 90 days of the date of formal request from the Authority will be withdrawn from the Authority and have all rights, duties and benefits terminated under this Interlocal Agreement. Revenue received by the Party in whose county the Park is located (the “Host County”) shall be divided among the Parties in the following manner: Lyon County – 40%, Trigg County – 15%, Livingston County – 15%, Caldwell County – 15% and Crittenden County – 15%. The Authority is required to have an Attestation engagement every four years. Next report is due for fiscal year ending 2027.

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

Note 2. Deposits

The fiscal court maintains 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	Road Fund	Federal Grant Fund	Disaster Recovery Fund	American Rescue Plan Act Fund	Total Transfers In
General Fund	\$	\$ 1,199,000	\$ 226,051	\$ 60,000	\$ 263,000	\$ 1,748,051
Road Fund	900,000					900,000
Jail Fund	951,945					951,945
State Grant Fund	227,687					227,687
Federal Grant Fund	366,125					366,125
Sheriff Fund	830,198					830,198
Shelter Fund	80,162					80,162
Disaster Recovery Fund	60,000					60,000
Economic Development Fund	300					300
Total Transfers Out	<u>\$ 3,416,417</u>	<u>\$ 1,199,000</u>	<u>\$ 226,051</u>	<u>\$ 60,000</u>	<u>\$ 263,000</u>	<u>\$ 5,164,468</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.

CALDWELL 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 \$305.

Note 5. Commitments – Lease Agreements

A. Leases – Lessor

The Caldwell 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
Hawthorne Street Office Space	4/1/2017	2 years	Monthly	7/16/2024	\$ 1,000	\$ 0
Seven Springs Farm Grain Bins	6/26/2017	5 years	Yearly	6/30/2027	\$ 7,500	\$ 22,500

B. Leases – Lessee

The Caldwell 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	5/14/2021	5 years	Monthly	5/14/2026	\$ 182	\$ 2,362

Note 6. 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 \$493,077, FY 2024 was \$439,583, and FY 2025 was \$409,909.

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.

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

Note 6. Employee Retirement System (Continued)

Nonhazardous (Continued)

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own accounts. Nonhazardous covered employees contribute 5% 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.

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%.

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

Note 6. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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.

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.

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

Note 6. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

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

Once members reach a minimum vesting period of 15 years, they earn \$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.

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.

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

Note 7. Deferred Compensation

The Caldwell 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 8. Health Reimbursement Account/Flexible Spending Account

The Caldwell County Fiscal Court established a flexible spending account to provide employees an additional health benefit. The county has contracted with a third-party administrator to administer the plan. The plan provides up to \$3,000 per year for employees who opt out of health insurance. The balance of the plan as of June 30, 2025 was \$30,083.

Note 9. Insurance

For the fiscal year ended June 30, 2025, the Caldwell 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 10. Tax Abatement

The occupational license tax and net profit tax was abated under the authority of the Caldwell County Fiscal Court. The Hydro-Gear Limited Partnership is eligible to receive this tax abatement due to an ordinance passed by the Caldwell County Fiscal Court. The taxes are abated by the county deciding to forego occupational license taxes and net profit taxes, which are otherwise due to the county. Hydro-Gear Limited Partnership agreed to the following provision: The Caldwell County, Kentucky payroll tax with respect to the new employees at the facility shall be reduced from 1.5% to 1.0% for up to a period of ten years. Hydro-Gear's expansion of the facility was further conditioned upon Hydro-Gear receiving for a period of five years an amount equal to one-third (1/3) of the net profits tax paid by Hydro-Gear with respect to profits directly attributable to the expansion of the facility and newly created jobs.

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

Note 10. Tax Abatement (Continued)

Hydro-Gear's expansion of the facility was further conditioned upon the contribution of \$20,000 to be paid by the Princeton-Caldwell County Industrial Development Authority and the Lake Barkley Economic Partnership to offset training costs incurred by the company with respect to newly created jobs at the facility. The reduction of the payroll tax pursuant to this provision is intended to constitute "local participation" so as to allow Hydro-Gear to receive tax incentives from the Commonwealth of Kentucky through the Kentucky Business Investment program of up to 4% of the gross wages associated with the newly created jobs (KRS 154.32-010 to KRS 154.32-100). For fiscal year ended June 30, 2025, Caldwell County Fiscal Court abated occupational license taxes and net profit taxes totaling \$0.

Note 11. Subsequent Events

- A. On July 17, 2025, the Caldwell County Fiscal Court and the City of Princeton co-signed for a \$8,000,000 short term financing arrangement for the Princeton-Caldwell County Industrial Development Authority. This financing arrangement is to support the construction of a 100,200 square foot industrial speculative building in the Princeton-Caldwell County Industrial Park. The primary borrower shall be the Princeton-Caldwell County Industrial Development Authority (PCCIDA), with both the Caldwell County Fiscal Court and the City of Princeton, Kentucky, serving as co-signers. The loan shall mature on June 30, 2026. The county has received a \$4,000,000 reimbursable Kentucky Product Development Initiative (KPDII) grant to cover a portion of the loan cost. While it is anticipated that the remaining loan portion shall be converted into long-term financing, the city and county have the financial capacity to satisfy such outstanding obligation if the need arises.
- B. With the passing of the jailer in November 2025, the sheriff, by virtue of the office of the sheriff has assumed the duties of the jailer until a new jailer is elected.

Note 12. Interfund Receivable and Payable

The table below adjusts the June 30, 2025, fund balance for the receivable and payable between the Road Fund and General Fund that are not included on the financial statement prepared in accordance with the regulatory basis of accounting:

	General Fund	Road Fund
Cash Balance - Ending	\$ 6,253,971	\$ 102,058
Interfund Receivable (Payable)	(299,000)	299,000
Fund Balance - Ending	<u>\$ 5,954,971</u>	<u>\$ 401,058</u>

CALDWELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2025

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CALDWELL 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	\$ 3,922,000	\$ 3,922,000	\$ 4,743,564	\$ 821,564
In Lieu Tax Payments	38,000	38,000	40,845	2,845
Excess Fees	75,000	75,000	40,044	(34,956)
Licenses and Permits	37,500	37,500	48,470	10,970
Intergovernmental	311,415	424,513	802,946	378,433
Miscellaneous	60,885	249,238	343,155	93,917
Interest	162,500	162,500	213,956	51,456
Total Receipts	<u>4,607,300</u>	<u>4,908,751</u>	<u>6,232,980</u>	<u>1,324,229</u>
DISBURSEMENTS				
General Government	949,400	1,033,512	902,268	131,244
Protection to Persons and Property	982,100	1,092,060	1,048,068	43,992
General Health and Sanitation	106,500	107,276	107,276	
Social Services	7,000	7,000	7,000	
Recreation and Culture	56,400	71,400	71,400	
Airports	10,000	10,000	10,000	
Administration	638,600	581,372	510,807	70,565
Total Disbursements	<u>2,750,000</u>	<u>2,902,620</u>	<u>2,656,819</u>	<u>245,801</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,857,300</u>	<u>2,006,131</u>	<u>3,576,161</u>	<u>1,570,030</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	263,000	263,000	1,748,051	1,485,051
Transfers To Other Funds	<u>(2,120,300)</u>	<u>(2,120,300)</u>	<u>(3,416,417)</u>	<u>(1,296,117)</u>
Total Other Adjustments to Cash (Uses)	<u>(1,857,300)</u>	<u>(1,857,300)</u>	<u>(1,668,366)</u>	<u>188,934</u>
Net Change in Fund Balance		148,831	1,907,795	1,758,964
Fund Balance - Beginning			<u>4,346,176</u>	<u>4,346,176</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 148,831</u>	<u>\$ 6,253,971</u>	<u>\$ 6,105,140</u>

CALDWELL 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	\$ 2,387,500	\$ 2,387,500	\$ 2,760,798	\$ 373,298
Miscellaneous	6,500	6,500	23,325	16,825
Interest	26,000	26,000	25,013	(987)
Total Receipts	<u>2,420,000</u>	<u>2,420,000</u>	<u>2,809,136</u>	<u>389,136</u>
DISBURSEMENTS				
Roads	2,529,200	2,534,352	2,252,818	281,534
Administration	270,800	265,648	210,510	55,138
Total Disbursements	<u>2,800,000</u>	<u>2,800,000</u>	<u>2,463,328</u>	<u>336,672</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(380,000)</u>	<u>(380,000)</u>	<u>345,808</u>	<u>725,808</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	250,000	250,000	900,000	650,000
Transfers To Other Funds			(1,199,000)	(1,199,000)
Total Other Adjustments to Cash (Uses)	<u>250,000</u>	<u>250,000</u>	<u>(299,000)</u>	<u>(549,000)</u>
Net Change in Fund Balance	(130,000)	(130,000)	46,808	176,808
Fund Balance - Beginning	<u>130,000</u>	<u>130,000</u>	<u>55,250</u>	<u>(74,750)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 102,058</u>	<u>\$ 102,058</u>

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

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 97,538	\$ (2,462)
Charges for Services	66,000	66,000	62,149	(3,851)
Miscellaneous	975	48,975	89,901	40,926
Interest	25	25	4,365	4,340
Total Receipts	<u>167,000</u>	<u>215,000</u>	<u>253,953</u>	<u>38,953</u>
DISBURSEMENTS				
Protection to Persons and Property	818,400	937,691	874,625	63,066
Administration	<u>348,600</u>	<u>307,309</u>	<u>280,400</u>	<u>26,909</u>
Total Disbursements	<u>1,167,000</u>	<u>1,245,000</u>	<u>1,155,025</u>	<u>89,975</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,000,000)</u>	<u>(1,030,000)</u>	<u>(901,072)</u>	<u>128,928</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>900,000</u>	<u>900,000</u>	<u>951,945</u>	<u>51,945</u>
Total Other Adjustments to Cash (Uses)	<u>900,000</u>	<u>900,000</u>	<u>951,945</u>	<u>51,945</u>
Net Change in Fund Balance	(100,000)	(130,000)	50,873	180,873
Fund Balance - Beginning	<u>100,000</u>	<u>100,000</u>	<u>49,623</u>	<u>(50,377)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (30,000)</u>	<u>\$ 100,496</u>	<u>\$ 130,496</u>

CALDWELL 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	\$ 195,000	\$ 195,000	\$ 303,056	\$ 108,056
Interest	500	500	10,900	10,400
Total Receipts	195,500	195,500	313,956	118,456
DISBURSEMENTS				
Protection to Persons and Property	210,000	210,000	209,580	420
Social Services	5,000	5,000	4,009	991
Administration	20,000	20,000		20,000
Total Disbursements	235,000	235,000	213,589	21,411
Net Change in Fund Balance	(39,500)	(39,500)	100,367	139,867
Fund Balance - Beginning	39,500	39,500	180,236	140,736
Fund Balance - Ending	\$ 0	\$ 0	\$ 280,603	\$ 280,603

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

STATE GRANT FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 1,687,000	\$ 1,914,687	\$ 1,040,795	\$ (873,892)
Total Receipts	1,687,000	1,914,687	1,040,795	(873,892)
DISBURSEMENTS				
Capital Projects	1,687,000	1,687,000	890,935	796,065
Administration		227,687	227,687	
Total Disbursements	1,687,000	1,914,687	1,118,622	796,065
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			(77,827)	(77,827)
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			227,687	227,687
Total Other Adjustments to Cash (Uses)			227,687	227,687
Net Change in Fund Balance			149,860	149,860
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 149,860	\$ 149,860

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

	FEDERAL GRANT FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 524,700	\$ 1,274,700	\$ 448,004	\$ (826,696)
Total Receipts	524,700	1,274,700	448,004	(826,696)
DISBURSEMENTS				
General Government	48,000	48,000		48,000
Capital Projects	473,000	473,000	472,578	422
Administration	26,000	776,000		776,000
Total Disbursements	547,000	1,297,000	472,578	824,422
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(22,300)	(22,300)	(24,574)	(2,274)
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	22,300	22,300	366,125	343,825
Transfers To Other Funds			(226,051)	(226,051)
Total Other Adjustments to Cash (Uses)	22,300	22,300	140,074	117,774
Net Change in Fund Balance			115,500	115,500
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 115,500	\$ 115,500

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

SHERIFF FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 330,100	\$ 330,100	\$ 395,153	\$ 65,053
Miscellaneous			19,247	19,247
Interest	1,900	1,900	5,258	3,358
Total Receipts	332,000	332,000	419,658	87,658
DISBURSEMENTS				
General Government	904,400	912,510	847,183	65,327
Administration	455,600	447,490	349,952	97,538
Total Disbursements	1,360,000	1,360,000	1,197,135	162,865
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,028,000)	(1,028,000)	(777,477)	250,523
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	878,000	878,000	830,198	(47,802)
Total Other Adjustments to Cash (Uses)	878,000	878,000	830,198	(47,802)
Net Change in Fund Balance	(150,000)	(150,000)	52,721	202,721
Fund Balance - Beginning	150,000	150,000	50,555	(99,445)
Fund Balance - Ending	\$ 0	\$ 0	\$ 103,276	\$ 103,276

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

RECORDS FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 21,000	\$ 21,000	\$ 27,170	\$ 6,170
Interest			1,096	1,096
Total Receipts	21,000	21,000	28,266	7,266
DISBURSEMENTS				
General Government	30,000	43,432	27,213	16,219
Administration	15,000	1,568		1,568
Total Disbursements	45,000	45,000	27,213	17,787
Net Change in Fund Balance	(24,000)	(24,000)	1,053	25,053
Fund Balance - Beginning	24,000	24,000	27,295	3,295
Fund Balance - Ending	\$ 0	\$ 0	\$ 28,348	\$ 28,348

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

SHELTER FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 1,500	\$ 1,500	\$ 2,496	\$ 996
Charges for Services	20,800	20,800	4,125	(16,675)
Miscellaneous	32,000	32,000	18,428	(13,572)
Interest			619	619
Total Receipts	54,300	54,300	25,668	(28,632)
DISBURSEMENTS				
General Health and Sanitation	106,200	113,362	99,167	14,195
Administration	18,800	21,138	18,660	2,478
Total Disbursements	125,000	134,500	117,827	16,673
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(70,700)	(80,200)	(92,159)	(11,959)
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	70,000	70,000	80,162	10,162
Total Other Adjustments to Cash (Uses)	70,000	70,000	80,162	10,162
Net Change in Fund Balance	(700)	(10,200)	(11,997)	(1,797)
Fund Balance - Beginning	700	700	13,148	12,448
Fund Balance - Ending	\$ 0	\$ (9,500)	\$ 1,151	\$ 10,651

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

DISASTER RECOVERY FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$	\$	\$ 902,011	\$ 902,011
Interest			20,955	20,955
Total Receipts			922,966	922,966
DISBURSEMENTS				
Protection to Persons and Property		1,109,331	1,109,331	
Total Disbursements		1,109,331	1,109,331	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(1,109,331)	(186,365)	922,966
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			60,000	60,000
Transfers To Other Funds			(60,000)	(60,000)
Total Other Adjustments to Cash (Uses)				
Net Change in Fund Balance		(1,109,331)	(186,365)	922,966
Fund Balance - Beginning		1,000,000	1,000,979	979
Fund Balance - Ending	\$ 0	\$ (109,331)	\$ 814,614	\$ 923,945

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

ECONOMIC DEVELOPMENT FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$	\$ 4,000,000	\$	\$ (4,000,000)
Total Receipts		4,000,000		(4,000,000)
DISBURSEMENTS				
Administration		4,000,000		4,000,000
Total Disbursements		4,000,000		4,000,000
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)				
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			300	300
Total Other Adjustments to Cash (Uses)			300	300
Net Change in Fund Balance			300	300
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 300	\$ 300

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

OPIOIDS FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Charges for Services	\$ 15,000	\$ 15,000	\$ 44,039	\$ 29,039
Interest			9,106	9,106
Total Receipts	15,000	15,000	53,145	38,145
DISBURSEMENTS				
Administration	90,000	90,000		90,000
Total Disbursements	90,000	90,000		90,000
Net Change in Fund Balance	(75,000)	(75,000)	53,145	128,145
Fund Balance - Beginning	75,000	75,000	165,120	90,120
Fund Balance - Ending	\$ 0	\$ 0	\$ 218,265	\$ 218,265

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

AMERICAN RESCUE PLAN ACT FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$ 19,000	\$ 19,000	\$ 25,450	\$ 6,450
Total Receipts	19,000	19,000	25,450	6,450
DISBURSEMENTS				
Capital Projects	680,000	680,000	347,890	332,110
Administration	10,000	10,000		10,000
Total Disbursements	690,000	690,000	347,890	342,110
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(671,000)	(671,000)	(322,440)	348,560
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(263,000)	(263,000)	(263,000)	
Total Other Adjustments to Cash (Uses)	(263,000)	(263,000)	(263,000)	
Net Change in Fund Balance	(934,000)	(934,000)	(585,440)	348,560
Fund Balance - Beginning	934,000	934,000	925,602	(8,398)
Fund Balance - Ending	\$ 0	\$ 0	\$ 340,162	\$ 340,162

CALDWELL 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

Total Other Adjustments to Cash (Uses) - Budgetary Basis	\$ (1,668,366)
To adjust for change in Payroll Revolving Account	<u>(10,743)</u>
Total Other Adjustments to Cash (Uses) - Regulatory Basis	<u><u>\$ (1,679,109)</u></u>
 Fund Balance - Beginning - Budgetary Basis	 \$ 4,346,176
To adjust for Payroll Revolving Account	<u>10,743</u>
Total Fund Balance - Beginning - Regulatory Basis	<u><u>\$ 4,356,919</u></u>

CALDWELL COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2025

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CALDWELL COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2025

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity's Identifying Number	Provided to Subrecipient	Total Federal Expenditures
<u>U. S. Department of Treasury</u>				
<i>Direct Program</i>				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027		\$	\$ 610,890
Total U.S. Department of Treasury				610,890
<u>U. S. Department of Homeland Security</u>				
<i>Passed-Through Kentucky Department of Military Affairs</i>				
Hazard Mitigation Grant	97.039	4630-0040-F	\$	\$ 425,320
Emergency Management Performance Grants	97.042	N/A		26,094
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4804DRKYP00000001		777,596
Total U.S. Department of Homeland Security				1,229,010
Total Expenditures of Federal Awards			\$ 0	\$ 1,839,900

The accompanying notes are an integral part of this schedule.

CALDWELL COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2025

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Caldwell County, Kentucky under programs of the federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Caldwell County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Caldwell County, Kentucky.

Note 2. Summary of Significant Accounting Policies

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

Note 3. Indirect Cost Rate

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

CALDWELL COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2025

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CALDWELL 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:

	Beginning Balance *(Restated)	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 448,421	\$	\$	\$ 448,421
Buildings and Building Improvements	6,463,531	1,624,178		8,087,709
Vehicles and Equipment*	4,171,303	489,145	9,000	4,651,448
Infrastructure	9,106,912	1,414,420		10,521,332
 Total Capital Assets	 \$ 20,190,167	 \$ 3,527,743	 \$ 9,000	 \$ 23,708,910

CALDWELL 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
Vehicles and Equipment	\$ 2,500	3-25
Infrastructure	\$ 20,000	10-50

Note 2. Restatement of Beginning Capital Assets Balance

The Beginning Balance of Vehicles and Equipment was restated by \$4,500 due to an asset being omitted from the prior year schedule.

**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 William "Kota" Young, Caldwell County Judge/Executive
Members of the Caldwell 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 Caldwell County Fiscal Court for the fiscal year ended June 30, 2025, and the related notes to the financial statement which collectively comprise the Caldwell County Fiscal Court's financial statement and have issued our report thereon dated March 18, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Caldwell 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 Caldwell County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Caldwell 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 Questioned Costs, 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 Questioned Costs as items 2025-001, 2025-002, 2025-003, 2025-004, 2025-005, and 2025-006 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 Questioned Costs as item 2025-007 to be a significant deficiency.

Report on Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Caldwell 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 Questioned Costs as items 2025-001, 2025-002, 2025-003, 2025-004, 2025-005, and 2025-006.

Views of Responsible Officials and Planned Corrective Action

Government Auditing Standards requires the auditor to perform limited procedures on the Caldwell County's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. 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

March 18, 2026

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

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ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

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

Independent Auditor's Report

The Honorable William "Kota" Young, Caldwell County Judge/Executive
Members of the Caldwell County Fiscal Court

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Caldwell County Fiscal Court's compliance with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Caldwell County Fiscal Court's major federal programs for the year ended June 30, 2025. The Caldwell County Fiscal Court's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Caldwell County Fiscal Court complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

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

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



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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

Report on Internal Control over Compliance (Continued)

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

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

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

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

March 18, 2026

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CALDWELL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2025

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CALDWELL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2025

Section I: Summary of Auditor's Results

Financial Statement

Type of report the auditor issued on whether the financial statement audited was prepared in accordance with GAAP:

Adverse on GAAP and Qualified on Regulatory Basis

Internal control over financial reporting:

- | | | |
|--|---|--|
| • Are any material weaknesses identified? | ☒ Yes | ☐ No |
| • Are any significant deficiencies identified? | ☒ Yes | ☐ None Reported |
| • Are any noncompliances material to financial statements noted? | ☒ Yes | ☐ No |

Federal Awards

Internal control over major programs:

- | | | |
|--|------------------------------|---|
| • Are any material weaknesses identified? | ☐ Yes | ☒ No |
| • Are any significant deficiencies identified? | ☐ Yes | ☒ None Reported |

Type of auditor's report issued on compliance for major federal programs: Unmodified

Are any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

☐ Yes ☒ No

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disaster)

Dollar threshold used to distinguish between Type A and

Type B programs:

\$750,000

Auditee qualified as a low-risk auditee?

☐ Yes ☒ No

CALDWELL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2025
(Continued)

Section II: Financial Statement Findings

2025-001 The Caldwell County Jailer Failed To Implement Sufficient Internal Controls Over The Accounting And Financial Reporting Functions Of The Commissary Fund Resulting In Misappropriation And Misstatement

Condition and Context

The Caldwell County Jailer failed to establish adequate segregation of duties and implement sufficient internal controls over the commissary fund. As a result, a jail deputy misappropriated \$13,720 of commissary funds. Additionally, the following problems were noted:

- The commissary annual financial statement was incomplete, inaccurate, and did not reconcile to the bank. The financial report did not include any transactions for May and June 2025, but did inadvertently include the transactions related to the inmate trust fund.
- Monthly bank reconciliations are not being performed.
- Either the jailer does not maintain or otherwise could not provide a receipts ledger and a disbursements ledger from the accounting system.
- Proper checkout procedures are not being performed. Receipts are not batched daily. The numerical sequence of issued receipts is not accounted for. A receipts ledger was not provided.
- Not all disbursements were posted to the system, and several disbursements were not posted timely.
- The jailer allows the use of a debit card for purchases.
- A disbursements ledger was not provided.
- Seven of the 25 items tested were not adequately supported.
- Twenty of the 25 disbursements tested were not approved by the official prior to being paid.
- Four of the 25 transactions tested were not paid within 30 working days of receipt.
- The endorsement side of the canceled checks is not provided with the bank statements.
- Sales tax was not remitted timely, resulting in penalties being paid.
- The jail did not maintain proper documentation on the disposal of a commissary asset.

Cause

These deficiencies are due to the jailer and administrator not having a working knowledge or understanding of the requirements for accounting and reporting of the commissary fund.

Effect

The weak control environment enabled an employee to steal funds from the inmate fund account. In addition, due to the material weaknesses noted above, auditors could not obtain sufficient audit evidence to ensure the jail commissary financial report is materially accurate and free of misstatements. This will result in a modified opinion being issued on the commissary fund.

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.”

**CALDWELL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2025
(Continued)**

Section II: Financial Statement Findings (Continued)

2025-001 The Caldwell County Jailer Failed To Implement Sufficient Internal Controls Over The Accounting And Financial Reporting Functions Of The Commissary Fund Resulting In Misappropriation And Misstatement (Continued)

Criteria (Continued)

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.” An understanding of the requirements over accounting and reporting commissary activity is a basic internal control necessary to ensure the accuracy and reliability of financial reports.

The *County Budget Preparation and State Local Finance Officer Policy Manual*, issued by the Department for Local Government, outlines the minimum accounting and reporting standards for the jail commissary funds. These minimum requirements include performing daily checkout procedures, maintaining a receipts journal, a disbursements journal and preparing monthly bank reconciliations.

KRS 441.135(2) states “[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 65.140(2) states “[u]nless the purchaser and vendor otherwise contract, all bills for goods or services shall be paid within thirty (30) working days of receipt 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[.]”

Recommendations

We recommend the Caldwell County Jailer implement internal control policies and procedures sufficient to ensure complete and accurate financial records are maintained. Also, due to the severity and nature of this finding, it will be referred to the Office of the Attorney General.

Views of Responsible Official and Planned Corrective Action

Acting Jailer Don Weedman's Response: In regard to the Caldwell County Jail Commissary Fund functions, the deficiencies pointed out are being addressed immediately. Several deficiencies have already been addressed by the accounting software implemented on May 1, 2025. This system when properly used will allow for the accurate reconciliation of monthly reports in a timely manner.

From this, (1) the Trustee account and the Fee account can be and will be reported separately. (2) Monies relating to the Commissary Fund will be deposited daily using numbered deposit forms. In the event there is no money to deposit for the day a deposit form indicating zero money deposited will be filled out and properly filed. (3) Commissary deposits will be made Monday through Friday with the exception of holidays and weekends which will be made the next business day. (4) Receipts will be numbered and used in sequence. If a receipt has to be voided, such void will be noted in the sequential numbering use. (5) The deposits will be checked by a second party to verify the deposited amount.

Disbursements will no longer be made by debit card. Disbursements will be made by credit card or check. Payments will be initialed by a second party who reviews the disbursement. Disbursements will be paid within 30 days of receipt of the invoices.

CALDWELL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2025
(Continued)

Section II: Financial Statement Findings (Continued)

2025-001 The Caldwell County Jailer Failed To Implement Sufficient Internal Controls Over The Accounting And Financial Reporting Functions Of The Commissary Fund Resulting In Misappropriation And Misstatement (Continued)

Views of Responsible Official and Planned Corrective Action (Continued)

Acting Jailer Don Weedman's Response (Continued): The monthly bank statement will be reconciled with 10 days of receipt.

The Receipts Ledger and Purchase Ledger will be reconciled within 10 days of the end of each month.

These procedures will be entered in the Caldwell County Jail Policy and Procedure Manual to be effective immediately.

2025-002 The Caldwell County Fiscal Court Does Not Have Adequate Internal Controls Over Disbursements

Condition and Context

This is a repeat finding and was included in the prior year audit report as finding 2024-001. The Caldwell County Fiscal Court does not have adequate internal controls over disbursements resulting in the following deficiencies and non-compliances:

- The purchase order system is not functioning as designed. We tested 34 transactions totaling \$5,540,048, and noted the following:
 - Purchase orders were not issued for one disbursement totaling \$72,293.
 - Purchase orders for three disbursements totaling \$266,820 were not issued until after the expenses had already been incurred and the invoices received.
 - Purchase orders for four disbursements totaling \$1,034,768 were not dated.
- Two disbursements totaling \$314,438 were not paid within 30 working days.
- Five disbursements totaling \$22,420 were not recorded on the fourth quarter financial statement as encumbrances.
- The fiscal court obtained vehicles totaling \$84,616 using the state contract pricing; however, it did not obtain 3 quotes in accordance with the master agreement contract.

Cause

The fiscal court has not established appropriate internal control procedures over disbursements to ensure compliance with state law.

CALDWELL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2025
(Continued)

Section II: Financial Statement Findings (Continued)

2025-002 The Caldwell County Fiscal Court Does Not Have Adequate Internal Controls Over Disbursements
 (Continued)

Effect

The issues noted above could result in overspent line-items, claims being paid that are not valid obligations of the county, misappropriation of assets, inaccurate financial reporting, and problems with cash flow. Furthermore, the fiscal court's failure to establish effective internal controls over disbursements resulted in instances of noncompliance with state law and county policies.

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." An effective purchase order system is a basic internal control necessary to ensure the accuracy and reliability of financial reports. Moreover, implementation of strong internal controls over disbursements is necessary to prevent misappropriation of assets, cash flow problems, and claims being paid that are not valid obligations of the fiscal court.

Additionally, KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. The uniform system of accounts is set forth in the Department for Local Government's (DLG's) *County Budget Preparation and State Local Finance Officer Policy Manual*, which requires a purchase order system for all counties. Each county is responsible for ensuring its purchase order system is implemented and working properly.

According to a memorandum from the 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]nless the purchaser and vendor otherwise contract, all bills for goods or services shall be paid within thirty (30) working days of receipt 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."

KRS 45A.050(3) requires the Finance and Administration Cabinet to include a provision in all state agency price contracts that "any political subdivision, including cities of all classes, counties, school districts, or special districts, may participate in these contracts to the same extent as the Commonwealth. Any political subdivision may purchase materials and supplies in accordance with a contract for supplies and materials entered into by the Finance and Administration Cabinet[.]" Per the "Extended Description" on page 1 of Master Agreement number MA-758-2300000802, "[i]t will be the responsibility of the agencies utilizing this Master Agreement to obtain quotes from a minimum of three (3) awarded dealers."

CALDWELL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2025
(Continued)

Section II: Financial Statement Findings (Continued)

2025-002 The Caldwell County Fiscal Court Does Not Have Adequate Internal Controls Over Disbursements
 (Continued)

Views of Responsible Official and Planned Corrective Action

Recommendations

We recommend the Caldwell County Fiscal Court strengthen internal controls over disbursements by ensuring that purchase orders are issued prior to purchases being made. We further recommend the fiscal court pay all invoices within 30 working days of receipt. We recommend the fiscal court report all encumbrances on the fourth quarter financial statement. In addition, we recommend that the fiscal court implement controls to ensure the minimum number of quotes are obtained when purchases are made using the Finance and Administration's Cabinet's Master Agreements.

County Judge Executive Kota Young's Response: Administration has amended operating procedures to ensure full compliance with state purchasing requirements and county policies.

2025-003 The Fiscal Court Did Not Properly Classify Disaster Reimbursements

Condition and Context

The fiscal court did not properly classify \$1,036,738 of federal disaster reimbursements. During the fiscal year, the county received reimbursements from FEMA for a disaster event from May 2024. The fiscal court posted these funds as Miscellaneous Reimbursements budget code 4727 instead of Federal Reimbursements budget code 4503.

Cause

According to the county judge/executive and treasurer, they were not aware these reimbursements should have been posted to a specific budget code.

Effect

Due to misclassifying these receipts, the fiscal court receipts were materially misstated. Additionally end users are not provided with the correct information needed for decision making.

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." Proper budgeting and posting of receipts are basic internal controls necessary to ensure the accuracy and reliability of the county's receipts as prescribed by KRS 68.020.

KRS 68.020(4) states, the county treasurer "shall keep an accurate detailed account of all money received and disbursed by him or her for the county, and shall keep books of accounts of the financial transactions of the county in the manner required by the uniform system of accounting prescribed by the state local finance officer."

**CALDWELL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2025
(Continued)**

Section II: Financial Statement Findings (Continued)

2025-003 The Fiscal Court Did Not Properly Classify Disaster Reimbursements (Continued)

Recommendations

We recommend the fiscal court properly budget and account for receipts as prescribed by the state local finance officer.

Views of Responsible Official and Planned Corrective Action

County Judge Executive Kota Young's Response: Any future federal disaster reimbursements will be posted to budget code 4503.

2025-004 The Caldwell County Fiscal Court Does Not Have Adequate Internal Controls Over Receipts Collected At The Animal Shelter

Condition and Context

The fiscal court does not have adequate controls over receipts collected at the animal shelter. Cash and checks are collected from customers at the animal shelter for pet adoptions, owner releases and reclaims, and donations. However, the shelter does not prepare a daily receipts log, issue pre-numbered receipts to the customers, or perform daily checkout procedures.

Cause

Internal controls over receipts collected at the animal shelter are not sufficient due to a lack of an understanding of proper accounting practices and procedures.

Effect

A lack of internal controls over receipts collected at the animal shelter increases the risk of these receipts being misstated and could also lead to misappropriation of assets.

Criteria

KRS 64.840(1) states, "[e]xcept for taxes collected on behalf of the state for which standard receipt forms had been supplied by the state prior to 1974, all county officials shall, upon the receipt of any fine, forfeiture, tax, or fee, prepare a receipt that meets the specification of the state local finance officer, if the fine, forfeiture, tax, or fee is paid:

- (a) In cash;
- (b) By a party appearing in person to pay; or
- (c) By check, credit card, or debit card account received through the mail, if the party includes an addressed, postage-paid return envelope and a request for receipt."

Additionally, KRS 64.840(2) states, "[o]ne (1) copy of the receipt shall be given to the person paying the fine, forfeiture, tax, or fee and one (1) copy shall be retained by the official for his own records. One (1) copy of the receipt shall be retained by the official to be placed with the daily deposit."

CALDWELL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2025
(Continued)

Section II: Financial Statement Findings (Continued)

2025-004 The Caldwell County Fiscal Court Does Not Have Adequate Internal Controls Over Receipts Collected At The Animal Shelter (Continued)

Moreover, KRS 46.010(2) requires, “each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements.” KRS 46.010(3) requires, “all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires.” Issuing three-part receipts and performing daily checkout procedures are basic internal controls necessary to ensure the accuracy and reliability of financial reports and to protect against misappropriation of assets.

Recommendations

We recommend the Caldwell County Fiscal Court implement internal controls over receipts collected at the animal shelter by requiring receipts be issued in triplicate in accordance with KRS 64.840. We further recommend the fiscal court require the shelter to perform daily checkout procedures and require checkout sheets to be turned over to the county treasurer daily.

Views of Responsible Official and Planned Corrective Action

County Judge Executive Kota Young’s Response: Administration has amended operating procedures to require receipts be issued in triplicate, and to require daily turnover of monies received to Treasurer

2025-005 The Caldwell County Fiscal Court Transferred Restricted Road Funds Without Proper Documentation

Condition and Context

During fiscal year ending June 30, 2025, the Caldwell County Fiscal Court transferred \$900,000 from the General Fund to the Road Fund. On June 24, 2025, the fiscal court transferred \$1,199,000 from the Road Fund to the General Fund, which was an overpayment of \$299,000. There was no documentation of a Road Fund Cost Allocation Worksheet nor was there documentation of a review of other potentially unrestricted Road Fund receipts performed prior to the excess transferred to the General Fund from the Road Fund.

Cause

According to the county judge/executive, this transfer was made not only to reimburse the General Fund but to also get the ending cash balance of the Road Fund as close to the opening balance budgeted for the fund for fiscal year 2026. Additionally, the fiscal court failed to complete a Road Fund Cost Allocation Worksheet to document transfers of Road Fund amounts to the General Fund. While there were possibly unrestricted receipts in the Road Fund, no review was performed to determine if those funds were available to transfer to the General Fund.

Effect

When restricted funds are transferred to other funds without proper documentation, an ineligible transfer could cause funds to be required to be remitted back to the original fund.

CALDWELL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2025
(Continued)

Section II: Financial Statement Findings (Continued)

2025-005 The Caldwell County Fiscal Court Transferred Restricted Road Funds Without Proper Documentation (Continued)

Criteria

Road Fund monies granted to the fiscal court by the Kentucky Department of Transportation are restricted for transportation, except for the approved amount calculated on the Road Fund Cost Allocation Worksheet as provided by the Department for Local Government. According to the *County Budget Preparation and State Local Finance Officer Policy Manual* issued by the Department for Local Government, counties may transfer Road Fund monies to the General Fund to cover administrative costs. However, "[t]he total of road fund dollars appropriated must not exceed budgeted truck license distribution receipts." For fiscal year 2025, the maximum amount allowed to be transferred was \$234,170.

Internal controls such as review, approval, and verification of statutory compliance prior to processing fund transfers are necessary to prevent the improper use or transfer of restricted funds and ensure compliance with state statutes.

Recommendations

We recommend the fiscal court enlist the county attorney to determine how much of the excess transfer is due back to the Road Fund. In the future, the fiscal court should properly complete the Road Fund Cost Allocation Worksheet during the budget process. We also recommend the county establish and implement internal controls over interfund transfers, including documenting review, approval, and verification of compliance with state statutes before any transfer of restricted funds is approved.

Views of Responsible Official and Planned Corrective Action

County Judge Executive Kota Young's Response: The FY 26 budget included a budgeted transfer of \$ 1,565,000 from the General Fund to the Road Fund. As of FYE 2026, a total of \$1,905,000 had been transferred from the General Fund to the Road Fund; including \$340,000 in originally unbudgeted, excess transfers, exceeding the \$299,000 referenced. As mentioned, the FY 25 transfer in question was effectuated to ensure close alignment with FY 26 budgeted prior year cash balance in the Road Fund, made necessary due to the statutory time delay between budget presentation (May 1) and budget effective date (July 1). An alternative approach will be utilized to ensure alignment between budgetary projections and actual cash balances in future FY periods.

2025-006 The Caldwell County Fiscal Court Does Not Have Adequate Controls Over Occupational Tax Receipts

Condition and Context

The fiscal court did not maintain occupational tax returns during the fiscal year ending June 30, 2025. The fiscal court could not locate two out of 28 occupational tax returns totaling \$23,416. In addition, one company is not paying net profit taxes to the county. Also, deposits for occupational tax receipts were not made timely; some deposits were made up to a week after being received.

CALDWELL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2025
(Continued)

Section II: Financial Statement Findings (Continued)

2025-006 The Caldwell County Fiscal Court Does Not Have Adequate Controls Over Occupational Tax Receipts (Continued)

Cause

According to the finance officer, returns are maintained however they were unable to locate them. In addition, the finance officer is not aware of a reason one company is not paying net profit taxes or why deposits were not timelier.

Effect

Due to not maintaining adequate documentation, the county could not determine if the correct amount of occupational taxes was paid. In addition, if companies are not paying taxes that should be, the county is being denied funds. Not making deposits when funds are received increases the risk of loss or misappropriation.

Criteria

In 2014, the county passed an Occupational Tax Ordinance (#6-10-14) in which Section 14 states, "It shall be the duty of the Caldwell County Tax Administrator to collect and the Caldwell County Treasurer to receive the occupational taxes imposed by this ordinance. The Tax Administrator and Treasurer shall keep records showing the amount received by him/her from each licensee and employer and the date of such receipts." Section 15 (1) goes on to state, "The Caldwell County Tax Administrator is charged with the enforcement of the provisions of this ordinance and is empowered to prescribe, adopt and promulgate and enforce rules and regulations relating to any matter and pertaining to the administration and enforcement of the provisions of this ordinance."

KRS 46.010(2) requires, "each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements." KRS 46.010(3) requires, "all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires." Maintaining occupational tax returns is a basic internal control necessary to ensure the accuracy and reliability of tax payments and to protect against misappropriation of assets.

Additionally, KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. The uniform system of accounts is set forth in the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual* which requires deposits be made daily.

Recommendations

We recommend the county maintain proper records related to the collection of occupational taxes. We also recommend the county verify that net profit taxes are collected from all companies required to pay such taxes. All funds received should be deposited timely.

Views of Responsible Official and Planned Corrective Action

County Judge Executive Kota Young's Response: Administration has restructured personnel to ensure compliance with documentation and deposit procedures.

CALDWELL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2025
(Continued)

Section II: Financial Statement Findings (Continued)

2025-007 The Schedule Of Expenditures Of Federal Awards (SEFA) Was Misstated

Condition and Context

The county's Schedule of Expenditures of Federal Awards was misstated by \$248,074. The county reported federal expenditures of \$2,059,286 for fiscal year 2025. However, based on examination of federal grant programs, the county expended \$1,839,900 on federal expenditures during the fiscal year. The amount reported for the Emergency Management Performance Grant was understated by \$14,344 while the amounts reported for FEMA projects included state funding of \$159,048 and \$74,682 of federal expenditures related to the fiscal year 2026.

Cause

According to the county treasurer, the state's portion of the two FEMA projects were inadvertently included, and, due to an oversight, monthly emergency management director salary reimbursements were also omitted from the federal expenditure report.

Effect

Because the county failed to accurately report the total amount of federal expenditures expended during the reporting period, the Schedule of Expenditures of Federal Awards submitted to the Department for Local Government was significantly misstated. Also, the schedule may not meet the requirements of Uniform Guidance related to obtaining a single audit.

Criteria

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. The uniform system of accounts is set forth in the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual*, which requires a schedule of expenditures of federal awards to be submitted as part of the county's financial reporting along with the fourth quarter reporting as prescribed by Uniform Guidance.

According to, 2 CFR 200.510(b), "[t]he auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. The schedule must include the total Federal awards expended as determined in accordance with §200.502."

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." Oversight over financial reporting requirements is vital to ensure that federal awards expended are accurately accounted for and properly reported.

Recommendations

We recommend that the county implement effective internal controls over reporting expenditures of federal awards to ensure amounts reported on the SEFA represent actual federal awards expended during the corresponding fiscal year in accordance with 2 CFR 200.510(b).

**CALDWELL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2025
(Continued)**

Section II: Financial Statement Findings (Continued)

2025-007 The Schedule Of Expenditures Of Federal Awards (SEFA) Was Misstated (Continued)

Views of Responsible Official and Planned Corrective Action

County Judge Executive Kota Young's Response: Administration has amended procedures to ensure full compliance with state reporting requirements.

Section III: Federal Award Findings And Questioned Costs

None.

Section IV: Summary Schedule of Prior Year Audit Findings

Not Applicable.

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

CALDWELL COUNTY FISCAL COURT

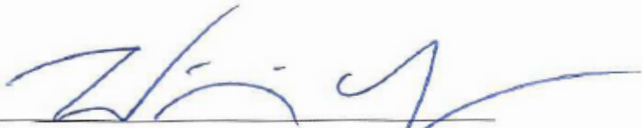
For The Year Ended June 30, 2025

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CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
COUNTY FISCAL COURT

For The Year Ended June 30, 2025

The Caldwell 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