REPORT OF THE AUDIT OF THE CALLOWAY COUNTY FISCAL COURT

For The Year Ended
June 30, 2023

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

Independent Auditor's Report

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Kenneth C. Imes, Calloway County Judge/Executive
Members of the Calloway County Fiscal Court

Report on the Audit of the Financial Statement

Opinions

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances – Regulatory Basis of the Calloway County Fiscal Court, for the year ended June 30, 2023, and the related notes to the financial statement, which collectively comprise the Calloway County Fiscal Court's financial statement as listed in the table of contents.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and changes in fund balances – regulatory basis of the Calloway County Fiscal Court, for the year ended June 30, 2023, in accordance with accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Calloway County Fiscal Court, for the year ended June 30, 2023, or the changes in financial position and cash flows thereof for the year then ended.

Basis for Opinions

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statement

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Calloway 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 Calloway County Fiscal Court's ability to continue as a going concern for a reasonable period of time.

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
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Members of the Calloway County Fiscal Court

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

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

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Calloway County Fiscal Court. The Budgetary Comparison Schedules are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

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

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2026, on our consideration of the Calloway 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 Calloway County Fiscal Court's internal control over financial reporting and compliance.

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Kenneth C. Imes, Calloway County Judge/Executive
Members of the Calloway County Fiscal Court

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

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

2023-001 General Fund Transfers In and Out Were Materially Overstated
2023-002 The Calloway County Fiscal Court Failed To Implement Effective Internal Controls Over Disbursements

Respectfully submitted,

Allison Ball

Allison Ball
Auditor of Public Accounts
Frankfort, Ky

April 22, 2026

CALLOWAY COUNTY OFFICIALS

For The Year Ended June 30, 2023

Fiscal Court Members:

Kenneth C. Imes	County Judge/Executive
Ricky Stewart	Magistrate
Larry Crutcher	Magistrate
Don Cherry	Magistrate
Paul Rister	Magistrate

Other Elected Officials:

K. Bryan Ernstberger	County Attorney
Kenneth Claud	Jailer
Antonia Faulkner	County Clerk
Melinda Starks	Circuit Court Clerk
Nicky Knight	Sheriff
Nikki Crouch	Property Valuation Administrator
Ricky Garland	Coroner

Appointed Personnel:

Tonya Robinson	County Treasurer
Gina Winchester	Deputy Judge/Executive

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

For The Year Ended June 30, 2023

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

For The Year Ended June 30, 2023

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	$ 4,745,586	$	$
In Lieu Tax Payments	109,451		
Excess Fees	488,224		
Licenses and Permits	66,783		
Intergovernmental	752,798	2,639,244	1,637,382
Charges for Services	53,599		414,219
Miscellaneous	1,150,489	104,939	113,517
Interest	81,297	8,507	4,739
Total Receipts	7,448,227	2,752,690	2,169,857
DISBURSEMENTS			
General Government	3,401,148		
Protection to Persons and Property	163,671		2,185,176
General Health and Sanitation	362,846		
Social Services	21,240		
Recreation and Culture	433,207		
Roads		2,118,731	
Debt Service		188,749	
Capital Projects	7,500	663,476	
Administration	464,630	475,504	811,022
Total Disbursements	4,854,242	3,446,460	2,996,198
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	2,593,985	(693,770)	(826,341)
Other Adjustments to Cash (Uses)			
Transfers From Other Funds		1,150,000	990,856
Transfers To Other Funds	(2,133,000)		
Total Other Adjustments to Cash (Uses)	(2,133,000)	1,150,000	990,856
Net Change in Fund Balance	460,985	456,230	164,515
Fund Balance - Beginning (Restated)	3,016,446	299,168	170,185
Fund Balance - Ending	$ 3,477,431	$ 755,398	$ 334,700
Composition of Fund Balance			
Bank Balance	$ 1,480,539	$ 756,667	$ 335,131
Less: Outstanding Checks	(40,505)	(1,269)	(431)
Certificates of Deposit	2,037,397		
Fund Balance - Ending	$ 3,477,431	$ 755,398	$ 334,700

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

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

Budgeted Funds						
Local Government Economic Assistance Fund	Jail Grant Fund	Jail Construction Fund	E911 Fund	County Clerk Fund	American Rescue Plan Act Fund	Opioid Fund
$	$	$ 11,237	$ 768,810	$	$	$
7,433			88,245			
			9,431	56,059		12,514
	24,026	616	9,163	368	53,145	104
7,433	24,026	11,853	875,649	56,427	53,145	12,618
				18,735		
			545,463			
7,433					2,126,836	
					2,316,520	
			158,484			
7,433			703,947	18,735	4,443,356	
	24,026	11,853	171,702	37,692	(4,390,211)	12,618
	(7,856)					
	(7,856)					
	16,170	11,853	171,702	37,692	(4,390,211)	12,618
	1,439,511	30,581	553,001		7,221,313	
$ 0	$ 1,455,681	$ 42,434	$ 724,703	$ 37,692	$ 2,831,102	$ 12,618
$	$ 1,455,681	$ 42,434	$ 726,250	$ 43,569	$ 2,831,102	$ 12,618
			(1,547)	(5,877)		
$ 0	$ 1,455,681	$ 42,434	$ 724,703	$ 37,692	$ 2,831,102	$ 12,618

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

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

	Unbudgeted Fund	
	Jail Commissary Fund	**Total Funds**
RECEIPTS		
Taxes	$	$ 5,525,633
In Lieu Tax Payments		109,451
Excess Fees		488,224
Licenses and Permits		66,783
Intergovernmental		5,125,102
Charges for Services		467,818
Miscellaneous	198,465	1,645,414
Interest	1,198	183,163
Total Receipts	199,663	13,611,588
DISBURSEMENTS		
General Government		3,419,883
Protection to Persons and Property		2,894,310
General Health and Sanitation		362,846
Social Services		21,240
Recreation and Culture	165,516	598,723
Roads		4,253,000
Debt Service		188,749
Capital Projects		2,987,496
Administration		1,909,640
Total Disbursements	165,516	16,635,887
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	34,147	(3,024,299)
Other Adjustments to Cash (Uses)		
Transfers From Other Funds		2,140,856
Transfers To Other Funds		(2,140,856)
Total Other Adjustments to Cash (Uses)		
Net Change in Fund Balance	34,147	(3,024,299)
Fund Balance - Beginning (Restated)	44,254	12,774,459
Fund Balance - Ending	$ 78,401	$ 9,750,160
Composition of Fund Balance		
Bank Balance	$ 78,820	$ 7,762,811
Less: Outstanding Checks	(419)	(50,048)
Certificates of Deposit		2,037,397
Fund Balance - Ending	$ 78,401	$ 9,750,160

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

INDEX FOR NOTES
TO THE FINANCIAL STATEMENT

CALLOWAY COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2023

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

<u>Budgeted Funds</u> (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.

Jail Grant Fund - This fund was established to isolate state grant proceeds intended to offset construction costs of the county jail. These funds and associated earnings are intended to be used for future repayments of jail debt.

Jail Construction Fund - The primary purpose of this fund is to account for tax revenues generated for the payment of the new jail. Debt payments were transferred to the public properties corporation for payment, but the jail debt has since been paid in full.

E911 Fund - The primary purpose of this fund is to account for dispatch services of the county. The primary sources of receipts for this fund are 911 fees.

County Clerk Fund - The primary purpose of this fund is to account for storage fees received by the county clerk and disbursed to the county treasurer, to be held in a fund for the county clerk's use and the county to disburse on the clerk's behalf.

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

Opioid Fund - The primary purpose of this fund is to account for opioid settlement receipts and disbursements. The primary source of these funds is from the opioid settlement for the state.

<u>Unbudgeted Fund</u>

The fiscal court reports the following unbudgeted fund:

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

D. Budgetary Information

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information (Continued)

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

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

E. Calloway County Elected Officials

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

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

F. Deposits and Investments

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

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

G. Long-term Obligations

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

H. Related Obligations and Joint Ventures

Related organizations are associated or affiliated with, have control over, or are controlled by each other. However, a related organization can be an entity for which a primary government is not financially accountable but is still accountable because it appoints a voting majority of the board. Based on this criteria, the following are considered related organizations of the Calloway County Fiscal Court:

Industrial Development Authority	South 641 Water District
Fire Departments	Almo/Dexter Water District
Lynn Grove Water District	Water District #2
Conservation District	Library
Health Department	Extension District

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. The Calloway County Fiscal Court entered an interlocal agreement with City of Murray for operation of Calloway County - Murray Hospital.

Regional governments or other multi-governmental arrangements that are governed by representatives from each of the governments that created the organizations but are not joint ventures because the participants do not retain an ongoing financial interest or responsibility are jointly governed organizations. Based on this criteria, the following are considered jointly governed organizations:

Murray Calloway County Economic Development Corporation	Murray Calloway County Park
Murray Calloway County Senior Citizens Center	Murray Calloway County Transit Authority
Murray Calloway County Airport	

Note 2. Deposits

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk but rather follows the requirements of the DLG's *County Budget Preparation and State Local Finance Officer Policy Manual*. As of June 30, 2023, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

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

Note 3. Transfers

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

	General Fund	Jail Grant Fund	Total Transfers In
Road Fund	$ 1,150,000	$	$ 1,150,000
Jail Fund	983,000	7,856	990,856
Total Transfers Out	$ 2,133,000	$ 7,856	$ 2,140,856

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.

Note 4. Custodial Funds

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

The fiscal court has the following custodial fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the Jail Inmate Fund as of June 30, 2023, was $306,485.

Note 5. Leases

1. Lessor

A. Administrative Office of the Courts

On July 1, 2022, Calloway County started leasing office space to Administrative Office of the Courts (AOC). This tenant shall have the option to renew the term of this lease each year. Calloway County recognized $32,670 in lease revenue during the current fiscal year related to the lease. As of June 30, 2023, Calloway County's receivable for lease payments has been satisfied.

2. Lessee

A. County Treasurer – Copier

On September 20, 2018, Calloway County entered into a lease agreement as lessee for the acquisition and use of a copier. Calloway County made monthly payments of $97 for a total of $1,170 for the current fiscal year. The future principal and interest lease payments as of June 30, 2023, were as follows:

Fiscal Year Ended June 30	Amount
2024	$ 292
Total Minimum Lease Payments	$ 292

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

Note 5. Leases (Continued)

2. Lessee (Continued)

B. Road Department - Copier

On August 30, 2022, Calloway County entered into a five year lease agreement as lessee for the acquisition and use of a copier. Calloway County made monthly payments of $66 for a total of $792 for the current fiscal year. The future principal and interest lease payments as of June 30, 2023, were as follows:

Fiscal Year Ended June 30	Amount
2024	$ 792
2025	792
2026	792
2027	792
Total Minimum Lease Payments	$ 3,168

C. County Judge/Executive Office - Copier

Calloway County entered into a lease agreement as lessee for the acquisition and use of a copier in the county judge/executive's office. Calloway County paid $651 during the current fiscal year. As of June 30, 2023, all lease payments had been satisfied.

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

A. SBITA – Accounting Subscription

Calloway County entered into a subscription-based information technology arrangement for accounting software in the finance department. The subscription terms are 20 years totaling $44,985, and Calloway County will receive the right-to-use subscription asset (intangible asset). As of June 30, 2023, the value of the subscription liability was $0.

B. SBITA – Timekeeping Subscription

Calloway County entered into a subscription-based information technology arrangement for timekeeping software. The subscription terms are three years totaling $5,362, and Calloway County will receive the right-to-use subscription asset (intangible asset). As of June 30, 2023, the value of the subscription liability was $3,575. Calloway County is required to make monthly payments of $149.

C. SBITA – Emergency Notification Subscription

Calloway County entered into a subscription-based information technology arrangement for a mass emergency notification system. The subscription terms are five years totaling $47,500, and Calloway County will receive the right-to-use subscription asset (intangible asset). As of June 30, 2023, the value of the subscription liability was $38,000. Calloway County is required to make yearly payments of $9,500.

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

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

D. SBITA – Voter Election Verification Subscription

Calloway County entered into a subscription-based information technology arrangement for a voter election verification system. The subscription terms are three years totaling $14,175, and Calloway County will receive the right-to-use subscription asset (intangible asset). As of June 30, 2023, the value of the subscription liability was $9,450. Calloway County is required to make yearly payments of $4,725.

Note 7. Long-term Debt

A. Direct Borrowings and Direct Placements

1. Tractors

On July 18, 2018, the fiscal court entered into an agreement with Kentucky Association of Counties Leasing Trust, through PNC Bank in the amount of $370,000 at a 4.30 percent effective interest rate. The financing obligation is for the purpose of purchasing four tractors, which will be used to secure the loan. The maturity date of the obligation is August 20, 2023. As of June 30, 2023, Calloway County was in compliance with the terms of this agreement. The principal balance as of June 30, 2023, was $13,594. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2024	$ 13,594	$ 73
Totals	$ 13,594	$ 73

2. Graders

On July 25, 2020, the fiscal court entered into an agreement with Kentucky Association of Counties Leasing Trust, through PNC Bank in the amount of $498,234 at a 2.66 percent effective interest rate. The financing obligation is for the purpose of purchasing two graders, which will be used to secure the loan. The maturity date of the obligation is June 20, 2025. As of June 30, 2023, Calloway County was in compliance with the terms of this agreement. The principal balance as of June 30, 2023, was $206,447. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2024	$ 102,007	$ 4,253
2025	104,440	1,511
Totals	$ 206,447	$ 5,764

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

Note 7. Long-term Debt (Continued)

B. Changes In Long-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	$ 399,405	$	$ 179,364	$ 220,041	$ 115,601
Total Long-term Debt	$ 399,405	$ 0	$ 179,364	$ 220,041	$ 115,601

C. Aggregate Debt Schedule

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

Fiscal Year Ended June 30	Direct Borrowings and Direct Placements Principal	Direct Borrowings and Direct Placements Interest
2024	$ 115,601	$ 4,326
2025	104,440	1,511
Totals	$ 220,041	$ 5,837

Note 8. 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 (9) member board of trustees is responsible for the governance of the CERS pension and insurance plans.

The county's contribution for FY 2021 was $697,596, FY 2022 was $959,487, and FY 2023 was $1,220,839.

Nonhazardous

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

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

Note 8. Employee Retirement System (Continued)

Nonhazardous (Continued)

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

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

The county's contribution rate for nonhazardous employees was 26.79 percent.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

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

Benefits are covered under KRS 78.5536.

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

Note 8. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

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

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

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

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

C. Cost of Living Adjustments - Tier 1

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

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

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

E. Death Benefit

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

F. Annual Financial Report and Proportionate Share Audit Report

KPAPA 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 viewed 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.

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

Note 9. Deferred Compensation

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

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

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

Note 10. Health Reimbursement Account/Flexible Spending Account

The Calloway County Fiscal Court offers their employees a health reimbursement account (HRA) that includes the benefit of the first $2,000 to be paid by the county. These claims are billed to the county by the county's insurance provider. The county also established a flexible spending account (FSA) to provide employees an additional health benefit. Employees contribute to their FSA through payroll deduction. The county has contracted with a third party to administer the FSA. As of June 30, 2023, the HRA/FSA account had a balance of $7,804.

Note 11. Insurance

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

Note 12. Prior Period Adjustments

	General Fund	Road Fund
Ending Prior Year Fund Balance	$ 3,015,716	$ 298,666
Adjustments:		
Prior Year Voided Checks	730	502
Beginning Fund Balance - Restated	$ 3,016,446	$ 299,168

CALLOWAY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2023

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CALLOWAY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2023

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	$ 4,275,866	$ 4,275,866	$ 4,745,586	$ 469,720
In Lieu Tax Payments	117,500	117,500	109,451	(8,049)
Excess Fees	175,000	464,459	488,224	23,765
Licenses and Permits	65,800	65,800	66,783	983
Intergovernmental	599,463	778,437	752,798	(25,639)
Charges for Services	45,000	45,000	53,599	8,599
Miscellaneous	149,600	1,149,600	1,150,489	889
Interest	11,000	11,000	81,297	70,297
Total Receipts	5,439,229	6,907,662	7,448,227	540,565
DISBURSEMENTS				
General Government	3,000,018	3,559,112	3,401,148	157,964
Protection to Persons and Property	156,200	224,259	163,671	60,588
General Health and Sanitation	354,080	404,310	362,846	41,464
Social Services	32,000	21,240	21,240	
Recreation and Culture	384,840	434,207	433,207	1,000
Capital Projects	108,500	8,500	7,500	1,000
Administration	667,900	1,520,343	464,630	1,055,713
Total Disbursements	4,703,538	6,171,971	4,854,242	1,317,729
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	735,691	735,691	2,593,985	1,858,294
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(2,886,528)	(2,886,528)	(2,133,000)	753,528
Total Other Adjustments to Cash (Uses)	(2,886,528)	(2,886,528)	(2,133,000)	753,528
Net Change in Fund Balance	(2,150,837)	(2,150,837)	460,985	2,611,822
Fund Balance - Beginning (Restated)	2,150,837	2,150,837	3,016,446	865,609
Fund Balance - Ending	$ 0	$ 0	$ 3,477,431	$ 3,477,431

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

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary	Variance with Final Budget Positive
	Original	Final	Basis)	(Negative)
RECEIPTS				
Intergovernmental	$ 2,275,073	$ 2,755,152	$ 2,639,244	$ (115,908)
Miscellaneous	81,000	81,000	104,939	23,939
Interest	3,500	3,500	8,507	5,007
Total Receipts	2,359,573	2,839,652	2,752,690	(86,962)
DISBURSEMENTS				
Roads	3,632,890	3,711,820	2,118,731	1,593,089
Debt Service	202,415	202,415	188,749	13,666
Capital Projects	477,696	957,775	663,476	294,299
Administration	650,100	571,170	475,504	95,666
Total Disbursements	4,963,101	5,443,180	3,446,460	1,996,720
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(2,603,528)	(2,603,528)	(693,770)	1,909,758
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	2,103,528	2,103,528	1,150,000	(953,528)
Total Other Adjustments to Cash (Uses)	2,103,528	2,103,528	1,150,000	(953,528)
Net Change in Fund Balance	(500,000)	(500,000)	456,230	956,230
Fund Balance - Beginning (Restated)	500,000	500,000	299,168	(200,832)
Fund Balance - Ending	$ 0	$ 0	$ 755,398	$ 755,398

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

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	$ 1,604,250	$ 1,604,250	$ 1,637,382	$ 33,132
Charges for Services	538,100	538,100	414,219	(123,881)
Miscellaneous	110,000	110,000	113,517	3,517
Interest	3,500	3,500	4,739	1,239
Total Receipts	2,255,850	2,255,850	2,169,857	(85,993)
DISBURSEMENTS				
Protection to Persons and Property	2,201,766	2,280,980	2,185,176	95,804
Capital Projects	30,000	936		936
Administration	957,084	906,934	811,022	95,912
Total Disbursements	3,188,850	3,188,850	2,996,198	192,652
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(933,000)	(933,000)	(826,341)	106,659
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	783,000	783,000	990,856	207,856
Total Other Adjustments to Cash (Uses)	783,000	783,000	990,856	207,856
Net Change in Fund Balance	(150,000)	(150,000)	164,515	314,515
Fund Balance - Beginning	150,000	150,000	170,185	20,185
Fund Balance - Ending	$ 0	$ 0	$ 334,700	$ 334,700

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

	LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	$ 8,000	$ 8,000	$ 7,433	$ (567)
Total Receipts	8,000	8,000	7,433	(567)
DISBURSEMENTS				
Roads	8,000	8,000	7,433	567
Total Disbursements	8,000	8,000	7,433	567
Net Change in Fund Balance				
Fund Balance - Beginning				
Fund Balance - Ending	$ 0	$ 0	$ 0	$ 0

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

	JAIL GRANT FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	$ 12,000	$ 12,000	$ 24,026	$ 12,026
Total Receipts	12,000	12,000	24,026	12,026
DISBURSEMENTS				
Capital Projects	1,450,623	1,450,623		1,450,623
Total Disbursements	1,450,623	1,450,623		1,450,623
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,438,623)	(1,438,623)	24,026	1,462,649
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(7,856)	(7,856)
Total Other Adjustments to Cash (Uses)			(7,856)	(7,856)
Net Change in Fund Balance	(1,438,623)	(1,438,623)	16,170	1,454,793
Fund Balance - Beginning	1,438,623	1,438,623	1,439,511	888
Fund Balance - Ending	$ 0	$ 0	$ 1,455,681	$ 1,455,681

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

	JAIL CONSTRUCTION FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	$ 10,200	$ 10,200	$ 11,237	$ 1,037
Interest	500	500	616	116
Total Receipts	10,700	10,700	11,853	1,153
DISBURSEMENTS				
Debt Service	100	100		100
Administration	40,209	40,209		40,209
Total Disbursements	40,309	40,309		40,309
Net Change in Fund Balance	(29,609)	(29,609)	11,853	41,462
Fund Balance - Beginning	29,609	29,609	30,581	972
Fund Balance - Ending	$ 0	$ 0	$ 42,434	$ 42,434

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

	E911 FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	$ 740,000	$ 740,000	$ 768,810	$ 28,810
Intergovernmental	502,500	502,500	88,245	(414,255)
Miscellaneous	9,300	9,300	9,431	131
Interest	1,000	1,000	9,163	8,163
Total Receipts	1,252,800	1,252,800	875,649	(377,151)
DISBURSEMENTS				
Protection to Persons and Property	1,534,300	1,534,300	545,463	988,837
Administration	218,500	218,500	158,484	60,016
Total Disbursements	1,752,800	1,752,800	703,947	1,048,853
Net Change in Fund Balance	(500,000)	(500,000)	171,702	671,702
Fund Balance - Beginning	500,000	500,000	553,001	53,001
Fund Balance - Ending	$ 0	$ 0	$ 724,703	$ 724,703

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

	COUNTY CLERK FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	$ 50,000	$ 50,000	$ 56,059	$ 6,059
Interest			368	368
Total Receipts	50,000	50,000	56,427	6,427
DISBURSEMENTS				
General Government	74,000	74,000	18,735	55,265
Total Disbursements	74,000	74,000	18,735	55,265
Net Change in Fund Balance	(24,000)	(24,000)	37,692	61,692
Fund Balance - Beginning				
Fund Balance - Ending	$ (24,000)	$ (24,000)	$ 37,692	$ 61,692

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

	AMERICAN RESCUE PLAN ACT FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	$ 15,600	$ 15,600	$ 53,145	$ 37,545
Total Receipts	15,600	15,600	53,145	37,545
DISBURSEMENTS				
Roads	2,315,000	2,315,000	2,126,836	188,164
Capital Projects	3,545,069	3,545,069	2,316,520	1,228,549
Administration	1,724,735	1,724,735		1,724,735
Total Disbursements	7,584,804	7,584,804	4,443,356	3,141,448
Net Change in Fund Balance	(7,569,204)	(7,569,204)	(4,390,211)	3,178,993
Fund Balance - Beginning	7,569,204	7,569,204	7,221,313	(347,891)
Fund Balance - Ending	$ 0	$ 0	$ 2,831,102	$ 2,831,102

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

OPIOID FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	$	$	$ 12,514	$ 12,514
Interest			104	104
Total Receipts			12,618	12,618
Net Change in Fund Balance			12,618	12,618
Fund Balance - Beginning				
Fund Balance - Ending	$ 0	$ 0	$ 12,618	$ 12,618

CALLOWAY COUNTY
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2023

Note 1. Budgetary Information

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

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

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

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CALLOWAY COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2023

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CALLOWAY COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2023

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance (Restated*)	Additions	Deletions	Ending Balance
Land and Land Improvements*	$ 334,727	$ 2,455,000	$	$ 2,789,727
Buildings and Building Improvements	10,007,227			10,007,227
Machinery and Equipment	3,597,803	424,602		4,022,405
Vehicles	1,372,225	114,358		1,486,583
Infrastructure	12,270,279	132,019		12,402,298
Total Capital Assets	$ 27,582,261	$ 3,125,979	$ 0	$ 30,708,240

* See Note 2 - Other Information - Regulatory Basis

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

June 30, 2023

Note 1. Capital Assets

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

	Capitalization Threshold	Useful Life (Years)
Land	Capitalize Only	
Land Improvements	$ 12,500	10-60
Buildings	$ 25,000	10-75
Building Improvements	$ 25,000	
Construction In Progress	Capitalize Only	
Machinery and Equipment	$ 20,000	3-25
Vehicles	$ 20,000	3-25
Infrastructure	$ 20,000	10-50

Note 2. Restatement of Prior Year

	Land and Land Improvements
Prior Year Beginning Balance	$ 348,227
Prior Year Error	(13,500)
Beginning Balance Restated	$ 334,727

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 Kenneth C. Imes, Calloway County Judge/Executive
Members of the Calloway 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 Calloway County Fiscal Court for the fiscal year ended June 30, 2023, and the related notes to the financial statement which collectively comprise the Calloway County Fiscal Court's financial statement and have issued our report thereon dated April 22, 2026.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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

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Report on Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Calloway 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2023-002.

Views of Responsible Officials and Planned Corrective Action

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

Purpose of this Report

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

Respectfully submitted,

Allison Ball

Allison Ball
Auditor of Public Accounts
Frankfort, Ky

April 22, 2026

CALLOWAY COUNTY
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended June 30, 2023

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CALLOWAY COUNTY
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended June 30, 2023

FINANCIAL STATEMENT FINDINGS:

2023-001 General Fund Transfers In and Out Were Materially Overstated

Calloway County's fourth quarter financial statement was materially misstated. The General Fund consists of an operating account and a money market account. Funds between these accounts are frequently transferred back and forth. In July 2022, the county transferred $450,000 from the money market account to the operating account. The county treasurer recorded this transaction as an interfund transfer rather than an inter-account transfer, and the fiscal court failed to catch this error during their review of the treasurer's monthly report. As a result, interfund transfers in and interfund transfers out of the General Fund were overstated by $450,000 each.

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." Fiscal court review and approval of the treasurer's monthly report and receipts and disbursements ledgers are basic internal controls necessary to ensure the accuracy and reliability of financial reports. While the fiscal court does review and approve the treasurer's monthly report, they failed to identify the error that occurred in the posting of this transaction.

We recommend the county strengthen internal controls over financial reporting. This should include a thorough review of the receipts and disbursements ledgers and financial reports to verify all transactions are valid and properly recorded.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The treasurer's office switched from [software name redacted] to [software name redacted] in October 2022. Since the switch was mid FY the treasurer and assistant treasurer had to go back and enter everything from July to October manually. The original transaction of $450,000 was in [software name redacted] correctly but was manually entered into the [software name redacted] incorrectly which is what the auditors were looking at. During this transition, the treasurer's office had been advised by a representative from [software name redacted] on how to enter transfers.

2023-002 The Calloway County Fiscal Court Failed To Implement Effective Internal Controls Over Disbursements

The Calloway County Fiscal Court failed to implement effective internal controls over disbursements. We tested 73 disbursements totaling $5,760,495 and noted the following issues:

- Five disbursements totaling $492,699 did not have purchase orders.
- Twenty-eight disbursements totaling $2,831,800 had purchase orders that were issued after the expense had already been incurred.
- The county did not adhere to bidding requirements for road paving when the total amount paid to the vendor exceeded $30,000.
- Two invoices totaling $148,958 were not paid within 30 working days.
- One disbursement in the amount of $91 was not presented to the fiscal court for approval prior to payment.
- Finance charges were incurred due to a credit card payment being late.
- Encumbrances were not reported on the fourth quarter financial statement.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-002 The Calloway County Fiscal Court Failed To Implement Effective Internal Controls Over Disbursements (Continued)

According to staff, purchase orders are issued by the department heads and are typically dated when the invoices are received. Also, according to staff, the county did not obtain bids for paving due to an oversight. Additionally, invoices were paid late due to oversight, and itemized receipts were not maintained for fuel transactions due to employees forgetting to obtain the printed receipts from the fuel pumps. Encumbrances were not reported on the fourth quarter financial statement due to a lack of understanding of the county's new accounting software.

A lack of internal controls over disbursements could result in inaccurate financial reporting, misappropriation of assets, cash flow problems, and claims being paid that are not valid obligations of the fiscal court. Additionally, failing to properly report encumbrances could cause the fiscal court to exceed available cash balances, which could result in negative fund balances. Moreover, the exclusion of encumbrances has caused the fourth quarter financial statement to be misstated.

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a system of uniform accounts. The Department for Local Government's (DLG's) *County Budget Preparation and State Local Finance Officer Policy Manual* outlines requirements for counties' handling of public funds, including required purchasing procedures for counties.

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.

During the fiscal year examined, KRS 424.260(1) stated, "[e]xcept where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract, lease, or other agreement for: (a) Materials; (b) Supplies, except perishable foods such as meat, poultry, fish, egg products, fresh vegetables, and fresh fruits; (c) Equipment; or (d) Contractual services other than professional; involving an expenditure of more than thirty thousand dollars ($30,000) without first making newspaper advertisement for bids."

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 68.360(2) states, "[t]he county judge/executive shall, within fifteen (15) days after the end of each quarter of each fiscal year, prepare a statement showing for the current fiscal year to date actual receipts from each county revenue source, the totals of all encumbrances and expenditures charged against each budget fund, the unencumbered balance of the fund, and any transfers made to or from the fund." Furthermore, it is imperative that encumbrances be reported accurately so that sound financial decisions can be made.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-002 The Calloway County Fiscal Court Failed To Implement Effective Internal Controls Over Disbursements (Continued)

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.

We recommend the Calloway County Fiscal Court strengthen internal controls over disbursements by ensuring that purchase orders are issued prior to all purchases being made. We also recommend the fiscal court comply with bidding requirements outlined by KRS 424.260. We also recommend the fiscal court comply with KRS 65.140 by ensuring all invoices are paid within 30 days. We recommend the fiscal court ensures all credit card payments are made timely to prevent finance charges being incurred on late payments. Finally, we recommend the fiscal court ensures that any open purchase orders created before the end of the fiscal year are reported as encumbrances of the fourth quarter financial statement.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The Calloway County Fiscal Court will strengthen internal controls in all areas that were recommended.

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CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

CALLOWAY COUNTY FISCAL COURT

For The Year Ended June 30, 2023

Appendix A

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CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE

CALLOWAY COUNTY FISCAL COURT

For The Year Ended June 30, 2023

The Calloway 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

Tonya Robinson

County Treasurer