

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

**For The Year Ended
June 30, 2024**



**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 Brandon Burton, Carter County Judge/Executive
Members of the Carter 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 Carter County Fiscal Court, for the year ended June 30, 2024, and the related notes to the financial statement, which collectively comprise the Carter 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 Carter County Fiscal Court, for the year ended June 30, 2024, 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 Carter County Fiscal Court, for the year ended June 30, 2024, or the changes in financial position and cash flows thereof for the year then ended.

Basis for Opinions

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



To the People of Kentucky
 The Honorable Andy Beshear, Governor
 Holly M. Johnson, Secretary
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 The Honorable Brandon Burton, Carter County Judge/Executive
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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 Carter 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

Carter 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 Carter County Fiscal Court's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statement

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Carter County Fiscal Court's internal control. Accordingly, no such opinion is expressed.

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Carter 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 Carter 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.

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.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2025, on our consideration of the Carter 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 Carter 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:

- 2024-001 The Fourth Quarter Financial Report Was Materially Misstated
- 2024-002 The Carter County Fiscal Court Overspent The Road Fund By \$851,467
- 2024-003 The Jail Commissary Purchased Electronic Cigarettes Without Properly Obtaining Bids
- 2024-004 The Carter County Fiscal Court Did Not Establish And Maintain Adequate Internal Controls Over Compliance With CDBG Requirements

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

August 26, 2025

CARTER COUNTY OFFICIALS**For The Year Ended June 30, 2024****Fiscal Court Members:**

Brandon Burton	County Judge/Executive
Chris Huddle	Magistrate
Derrick McKinney	Magistrate
Millard Cordle	Magistrate
Danny Holbrook	Magistrate
Harley Rayburn	Magistrate

Other Elected Officials:

Brain Bayes	County Attorney
Robert W. Boggs	Jailer
Mike Johnston	County Clerk
Larry Thompson	Circuit Court Clerk
Jeff May	Sheriff
Leslie Roseberry	Property Valuation Administrator
George Sparks	Coroner

Appointed Personnel:

Beth Justice	County Treasurer
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CARTER COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2024

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

For The Year Ended June 30, 2024

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 3,245,345	\$	\$
Excess Fees	86,548		
Licenses and Permits	41,926		
Intergovernmental	2,317,668	2,110,346	2,432,110
Charges for Services	100		167,219
Miscellaneous	157,457	837,330	177,496
Interest	8,999	2,503	466
Total Receipts	<u>5,858,043</u>	<u>2,950,179</u>	<u>2,777,291</u>
DISBURSEMENTS			
General Government	2,018,624		
Protection to Persons and Property	39,855		2,447,816
General Health and Sanitation	101,545		
Recreation and Culture	50,000		
Roads	12,309	4,103,819	
Debt Service	198,516	2,684,700	
Administration	811,502	441,738	899,986
Total Disbursements	<u>3,232,351</u>	<u>7,230,257</u>	<u>3,347,802</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>2,625,692</u>	<u>(4,280,078)</u>	<u>(570,511)</u>
Other Adjustments to Cash (Uses)			
Borrowed Money	50,000	2,266,977	
Transfers From Other Funds	1,343,713	1,993,639	595,000
Transfers To Other Funds	(2,515,000)		
Total Other Adjustments to Cash (Uses)	<u>(1,121,287)</u>	<u>4,260,616</u>	<u>595,000</u>
Net Change in Fund Balance	1,504,405	(19,462)	24,489
Fund Balance - Beginning (Restated)	<u>664,624</u>	<u>63,106</u>	<u>77,712</u>
Fund Balance - Ending	<u>\$ 2,169,029</u>	<u>\$ 43,644</u>	<u>\$ 102,201</u>
Composition of Fund Balance			
Bank Balance	\$ 2,342,526	\$ 258,780	\$ 152,218
Plus: Deposits In Transit	82,405		
Less: Outstanding Checks	<u>(255,902)</u>	<u>(215,136)</u>	<u>(50,017)</u>
Fund Balance - Ending	<u>\$ 2,169,029</u>	<u>\$ 43,644</u>	<u>\$ 102,201</u>

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

CARTER COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2024
(Continued)

Budgeted Funds						
Local Government Economic Assistance Fund	Community Development Block Grant Fund	Forest Fire Fund	Insurance Premium Fund	Clerk Storage Fee Fund	Opioid Fund	Enhanced 911 Fund
\$	\$	\$ 4,060	\$ 1,935,904	\$	\$	\$ 282,784
411,555	1,130,000					287,110
112,109						
15,377				36,470	287,539	7,358
236			852			353
<u>539,277</u>	<u>1,130,000</u>	<u>4,060</u>	<u>1,936,756</u>	<u>36,470</u>	<u>287,539</u>	<u>577,605</u>
16,650				13,716		
412,918		6,862				480,152
247,001	1,128,000					
						18,054
368,598					80,000	62,892
<u>1,045,167</u>	<u>1,128,000</u>	<u>6,862</u>		<u>13,716</u>	<u>80,000</u>	<u>561,098</u>
(505,890)	2,000	(2,802)	1,936,756	22,754	207,539	16,507
520,000			(1,937,352)			
<u>520,000</u>			<u>(1,937,352)</u>			
14,110	2,000	(2,802)	(596)	22,754	207,539	16,507
24,327	1,000	18,724	612	23,564	269,812	56,046
<u>\$ 38,437</u>	<u>\$ 3,000</u>	<u>\$ 15,922</u>	<u>\$ 16</u>	<u>\$ 46,318</u>	<u>\$ 477,351</u>	<u>\$ 72,553</u>
\$ 110,277	\$ 3,000	\$ 15,922	\$ 16	\$ 46,318	\$ 247,408 229,943	\$ 83,131
(71,840)						(10,578)
<u>\$ 38,437</u>	<u>\$ 3,000</u>	<u>\$ 15,922</u>	<u>\$ 16</u>	<u>\$ 46,318</u>	<u>\$ 477,351</u>	<u>\$ 72,553</u>

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

CARTER COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2024
(Continued)

	<u>Unbudgeted Funds</u>		
	<u>Justice Center Fund</u>	<u>Jail Commissary Fund</u>	<u>Total Funds</u>
RECEIPTS			
Taxes	\$	\$	\$ 5,468,093
Excess Fees			86,548
Licenses and Permits			41,926
Intergovernmental			8,688,789
Charges for Services			279,428
Miscellaneous		382,562	1,901,589
Interest	1,603		15,012
Total Receipts	<u>1,603</u>	<u>382,562</u>	<u>16,481,385</u>
DISBURSEMENTS			
General Government			2,048,990
Protection to Persons and Property			3,387,603
General Health and Sanitation			1,476,546
Recreation and Culture		418,602	468,602
Roads			4,116,128
Debt Service			2,901,270
Administration	14,581		2,679,297
Total Disbursements	<u>14,581</u>	<u>418,602</u>	<u>17,078,436</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(12,978)</u>	<u>(36,040)</u>	<u>(597,051)</u>
Other Adjustments to Cash (Uses)			
Borrowed Money			2,316,977
Transfers From Other Funds			4,452,352
Transfers To Other Funds			(4,452,352)
Total Other Adjustments to Cash (Uses)			<u>2,316,977</u>
Net Change in Fund Balance	(12,978)	(36,040)	1,719,926
Fund Balance - Beginning (Restated)	<u>50,833</u>	<u>131,265</u>	<u>1,381,625</u>
Fund Balance - Ending	<u>\$ 37,855</u>	<u>\$ 95,225</u>	<u>\$ 3,101,551</u>
Composition of Fund Balance			
Bank Balance	\$ 37,855	\$ 96,197	\$ 3,393,648
Plus: Deposits In Transit			312,348
Less: Outstanding Checks		(972)	(604,445)
Fund Balance - Ending	<u>\$ 37,855</u>	<u>\$ 95,225</u>	<u>\$ 3,101,551</u>

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

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TO THE FINANCIAL STATEMENT**

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**CARTER COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2024

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

CARTER COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

Local Government Economic Assistance (LGEA) 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.

Community Development Block Grant (CDBG) 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 federal government.

Forest Fire Fund - The primary purpose of this fund is to account for money collected for forest protection.

Insurance Premium Fund - The primary purpose of this fund is to account for insurance premium taxes collected and related disbursements for specified purposes.

Clerk Storage Fee Fund - The primary purpose of this fund is to account for the permanent storage fees collected and to track its expenses in accordance with Senate Bill 135. The primary sources of receipts for this fund are storage fees collected by the county clerk.

Opioid Fund - The primary purpose of this fund is to account for opioid related disbursements in accordance with KRS 15.291. The primary sources of receipts for this fund are opioid settlement monies allocated to local governments.

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

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

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

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

D. Budgetary Information

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

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

CARTER COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information (Continued)

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

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

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

E. Carter County Elected Officials

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

CARTER COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Joint Venture

A joint venture is a legal entity or other organization that results from a contractual agreement, and this is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain an ongoing financial interest or an ongoing financial responsibility. The Eastpark Industrial Park meets the criteria noted above and is disclosed as an organization jointly governed by the Kentucky counties of Carter, Boyd, Elliott, Greenup, and Lawrence. Financial statement audits can be obtained at fivco.org.

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, 2024, 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 2024.

	General Fund	Insurance Premium Fund	Total Transfers In
General Fund	\$	\$ 1,343,713	\$ 1,343,713
Road Fund	1,400,000	593,639	1,993,639
Jail Fund	595,000		595,000
LGEA Fund	520,000		520,000
Total Transfers Out	<u>\$ 2,515,000</u>	<u>\$ 1,937,352</u>	<u>\$ 4,452,352</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.

CARTER COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(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, 2024, was \$63,925.

Note 5. Leases

1. Lessee

On December 21, 2015, the Carter County Fiscal Court entered into a direct borrowing for multiple vehicles, as part of an energy savings program. The agreement plans for the replacement of a varying number of county owned vehicles with fleet-managed leased vehicles each year through 2027. The addition of more leased vehicles in future years will change the payment schedule. The lease agreement contains a buy option, and the county will not have right, title, or interest in or to the vehicles except for the use of the vehicles as described in the agreement.

The lease term commences on the delivery date of the vehicle and ends 60 months after the first full month's rental payment date, with an option to continue month-to-month for an unlimited period of time. The loan is secured by the vehicles being purchased. In the event of default, the vehicles will be repossessed by the financial institution. The future lease payments as of June 30, 2024, were as follows:

Fiscal Year Ended June 30	Amount
2025	\$ 11,833
2026	10,219
2027	<u>2,555</u>
Total Minimum Lease Payments	<u>\$ 24,607</u>

2. Lessee

On January 2, 2023, the Carter County Fiscal Court entered into a three-year lease agreement as lessee for the acquisition and use of vehicles. An initial lease liability was recorded in the amount of \$251,437 during the prior fiscal year. As of June 30, 2024, the value of the lease liability was \$62,859. The Carter County Fiscal Court is required to make monthly principal payments of \$10,477. The future lease payments as of June 30, 2024, were as follows:

Fiscal Year Ended June 30	Amount
2025	\$ 62,859
Total Minimum Lease Payments	<u>\$ 62,859</u>

CARTER COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 6. Long-term Debt

A. Direct Borrowings and Direct Placements

1. KACo Property

On September 29, 2021, Carter County entered into a \$385,000 direct borrowing with the Kentucky Association of Counties Leasing Trust for the purpose of financing the purchase of property. Terms of the agreement stipulate semi-annual payment ending on December 20, 2028, with an interest rate of 1.0%. If an event of default has occurred, the lessor of the direct borrowing may: (a) terminate the lease term and give notice to the fiscal court to surrender the property within 60 days of notice, (b) sell or re-lease the property, (c) take whatever action at law or in equity may appear necessary or desirable to enforce its rights to the property. As of June 30, 2024, the principal outstanding was \$275,000. Future debt service requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2025	\$ 50,000	\$ 10,263
2026	50,000	8,263
2027	55,000	6,163
2028	55,000	3,963
2029	65,000	1,431
Totals	<u>\$ 275,000</u>	<u>\$ 30,083</u>

2. Grahn Fire Department – Fire Truck #2

On August 17, 2022, Carter County entered into a \$75,000 direct borrowing with Commercial Bank of Grayson for the purpose of financing the purchase of a fire truck for Grahn Fire Department. Grahn Fire Department agreed to make payments for the term of the lease but was not legally obligated to do so. Terms of the agreement stipulate an eight-year repayment schedule, with payments ending on August 1, 2030. Interest rate at 4.5 percent. The loan is secured by the fire truck being purchased. If an event of default has occurred, the lessor of this direct borrowing may: (a) terminate the lease term and give notice to the fiscal court to surrender the fire truck within 60 days of notice, (b) sell or re-lease the fire truck, (c) take whatever action at law or in equity may appear necessary or desirable to enforce its rights to the fire truck. As of June 30, 2024, the principal outstanding was \$66,813. Future debt service requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2025	\$ 8,392	\$ 2,843
2026	8,755	2,480
2027	9,124	2,111
2028	9,512	1,723
2029	9,915	1,320
2030-2031	21,115	1,354
Totals	<u>\$ 66,813</u>	<u>\$ 11,831</u>

CARTER COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

3. Hitchins Fire Department – Fire Truck

On May 11, 2016, Carter County entered into an \$80,044 direct borrowing with First National Bank of Grayson for the purpose of financing the purchase of a fire truck for Hitchins Fire Department. Hitchins Fire Department agreed to make payments for the term of the lease but was not legally obligated to do so. Terms of the agreement stipulate an eight-year repayment schedule, with payments ending on August 11, 2023. Interest rates range from 2.9 to 3.5 percent. If an event of default has occurred, the lessor of this direct borrowing may; (a) terminate the lease term and give notice to the fiscal court to surrender the fire truck within 60 days of notice, (b) sell or re-lease the fire truck, (c) take whatever action at law or in equity may appear necessary or desirable to enforce its rights to the fire truck. As of June 30, 2024, the principal outstanding was paid in full.

4. KACo Truck

On December 2, 2021, Carter County entered into a \$92,339 direct borrowing with the Kentucky Association of Counties Leasing Trust for the purpose of financing the purchase of a truck. Terms of the agreement stipulate monthly payments ending on December 20, 2024, with an interest rate of 3.74 percent. If an event of default has occurred, the lessor of this direct borrowing may; (a) terminate the lease term and give notice to the fiscal court to surrender the truck within 60 days of notice, (b) sell or re-lease the truck, (c) take whatever action at law or in equity may appear necessary or desirable to enforce its rights to the truck. As of June 30, 2024, the principal outstanding was \$56,376. Future debt service requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2025	\$ 56,376	\$ 995
Totals	<u>\$ 56,376</u>	<u>\$ 995</u>

5. Courthouse Energy Efficiency Improvements

On May 18, 2016, Carter County entered into a \$1,675,000 direct borrowing with the Kentucky Association of Counties for the purpose of financing the acquisition and installation of energy efficiency improvements and refinancing the short-term emergency efficiency debt. Terms of the agreement stipulate a 16 year repayment schedule, with payments ending on December 20, 2030. If an event of default has occurred, the lessor of this direct borrowing may; (a) terminate the lease term and give notice to the fiscal court to surrender the truck within 60 days of notice, (b) sell or re-lease the truck, (c) take whatever action at law or in equity may appear necessary or desirable to enforce its rights to the truck. As of June 30, 2024, the principal outstanding was \$945,000. Future debt service requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2025	\$ 120,000	\$ 31,213
2026	125,000	26,013
2027	130,000	21,250
2028	135,000	16,950
2029	140,000	12,488
2030-2031	<u>295,000</u>	<u>10,938</u>
Totals	<u>\$ 945,000</u>	<u>\$ 118,852</u>

CARTER COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

6. Grayson Fire Department – Fire Truck

On April 17, 2018, Carter County entered into a \$115,000 direct borrowing with Commercial Bank of Grayson for the purpose of financing the purchase of a fire truck for Grayson Fire Department. Grayson Fire Department agreed to make payments for the term of the lease but was not legally obligated to do so. Terms of the agreement stipulate an eight-year repayment schedule, with payments ending on September 1, 2024. If an event of default has occurred, the lessor of this direct borrowing may; (a) terminate the lease term and give notice to the fiscal court to surrender the fire truck within 60 days of notice, (b) sell or re-lease the fire truck, (c) take whatever action at law or in equity may appear necessary or desirable to enforce its rights to the fire truck. As of June 30, 2024, the principal outstanding was \$15,905. Future debt service requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2025	\$ 15,823	\$ 589
Totals	<u>\$ 15,823</u>	<u>\$ 589</u>

7. KACo Trucks - #31

On November 22, 2022, Carter County entered into a \$523,552 direct borrowing with Kentucky Association of Counties Leasing Trust for the purpose of financing trucks. Terms of the agreement stipulate an 18 month repayment schedule at 5.15 percent, with payments ending on May 20, 2024. The loan is secured by the trucks being purchased. If an event of default has occurred, the lessor of this direct borrowing may; (a) terminate the lease term and give notice to the fiscal court to surrender the trucks within 60 days of notice, (b) sell or re-lease the trucks, (c) take whatever action at law or in equity may appear necessary or desirable to enforce its rights to the trucks. As of June 30, 2024, the principal outstanding was paid in full.

8. Norton Branch Fire Department – Fire Truck (2)

On June 20, 2019, Carter County entered into a \$75,000 direct borrowing with Kentucky Association of Counties Leasing Trust for the purpose of financing the purchase of a fire truck for Norton Branch Fire Department. Norton Branch Fire Department agreed to make payments for the term of the lease but was not legally obligated to do so. Terms of the agreement stipulate a ten-year repayment schedule, with payments ending on December 20, 2030. If an event of default has occurred, the lessor of this direct borrowing may; (a) terminate the lease term and give notice to the fiscal court to surrender the fire truck within 60 days of notice, (b) sell or re-lease the fire truck, (c) take whatever action at law or in equity may appear necessary or desirable to enforce its rights to the fire truck. As of June 30, 2024, the principal outstanding was \$52,500. Future debt service requirements are:

CARTER COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

8. Norton Branch Fire Department – Fire Truck (2) (Continued)

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2025	\$ 5,000	\$ 2,756
2026	5,000	2,494
2027	7,500	2,231
2028	10,000	1,837
2029	10,000	1,363
2030-2031	<u>15,000</u>	<u>1,300</u>
Totals	<u>\$ 52,500</u>	<u>\$ 11,981</u>

9. E-911 Equipment

On December 19, 2018, Carter County entered into a \$178,000 direct borrowing with Kentucky Association of Counties Leasing Trust for the purpose of financing the purchase of E-911 equipment. Terms of the agreement stipulate a five-year repayment schedule, with payments ending on December 20, 2023. If an event of default has occurred, the lessor of this direct borrowing may; (a) terminate the lease term and give notice to the fiscal court to surrender the equipment within 60 days of notice, (b) sell or re-lease the equipment, (c) take whatever action at law or in equity may appear necessary or desirable to enforce its rights to the equipment. As of June 30, 2024, the principal outstanding was paid in full.

10. Road Projects and Road Equipment

On September 19, 2019, Carter County entered into a \$1,340,000 direct borrowing with the Kentucky Association of Counties Finance Corporation for the purpose of various road projects and acquisition and equipping of related road equipment. Terms of the agreement stipulate a ten-year repayment schedule, with payments ending on December 20, 2028. If an event of default has occurred, the lessor of this direct borrowing may; (a) terminate the lease term and give notice to the fiscal court to surrender the project within 60 days of notice, (b) sell or re-lease the project, (c) take whatever action at law or in equity may appear necessary or desirable to enforce its rights to the project. As of June 30, 2024, the principal outstanding was \$850,000. Future debt service requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2025	\$ 175,000	\$ 40,087
2026	182,500	32,650
2027	190,000	24,894
2028	200,000	16,819
2029	<u>102,500</u>	<u>6,237</u>
Totals	<u>\$ 850,000</u>	<u>\$ 120,687</u>

CARTER COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

11. Trucks

On October 20, 2022, Carter County entered into a \$411,785 direct borrowing with the Kentucky Association of Counties Finance Corporation for the purpose of financing trucks. Terms of the agreement stipulate a 36 month repayment schedule at 4.57 percent, with payments ending on October 20, 2025. If an event of default has occurred, the lessor of this direct borrowing may; (a) terminate the lease term and give notice to the fiscal court to surrender the trucks within 60 days of notice, (b) sell or re-lease the trucks, (c) take whatever action at law or in equity may appear necessary or desirable to enforce its rights to the trucks. As of June 30, 2024, the principal outstanding was \$187,448. Future debt service requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2025	\$ 30,209	\$ 7,930
2026	<u>157,239</u>	<u>2,334</u>
Totals	<u>\$ 187,448</u>	<u>\$ 10,264</u>

12. FEMA

On December 9, 2021, Carter County entered into a \$5,000,000 direct borrowing with the Kentucky Association of Counties Finance Corporation for the purpose of financing FEMA projects. Terms of the agreement stipulate a 24 month repayment schedule at 3.25 percent, with payments ending on December 20, 2023. If an event of default has occurred, the lessor of this direct borrowing may; (a) terminate the lease term and give notice to the fiscal court to surrender the projects within 60 days of notice, (b) sell or re-lease the projects, (c) take whatever action at law or in equity may appear necessary or desirable to enforce its rights to the projects. As of June 30, 2024, the principal outstanding was paid in full.

13. FEMA Refinance

On November 27, 2023, Carter County entered into a \$1,500,000 direct borrowing with the Kentucky Association of Counties Finance Corporation for the purpose of financing FEMA projects. Terms of the agreement stipulate a 24 month repayment schedule at 8.15 percent, with payments ending on December 20, 2025. If an event of default has occurred, the lessor of this direct borrowing may; (a) terminate the lease term and give notice to the fiscal court to surrender the projects within 60 days of notice, (b) sell or re-lease the projects, (c) take whatever action at law or in equity may appear necessary or desirable to enforce its rights to the projects. As of June 30, 2024, the principal outstanding was \$1,500,000. Future debt service requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2025		\$ 122,250
2026	<u>1,500,000</u>	<u>61,603</u>
Totals	<u>\$ 1,500,000</u>	<u>\$ 183,853</u>

CARTER COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

14. KACO Trucks

On January 9, 2024, Carter County entered into a \$766,977 direct borrowing with the Kentucky Association of Counties Finance Corporation for the purpose of financing trucks. Terms of the agreement stipulate a 24 month repayment schedule at 5.949 percent, with payments ending on January 20, 2029. If an event of default has occurred, the lessor of this direct borrowing may; (a) terminate the lease term and give notice to the fiscal court to surrender the trucks within 60 days of notice, (b) sell or re-lease the trucks, (c) take whatever action at law or in equity may appear necessary or desirable to enforce its rights to the trucks. As of June 30, 2024, the principal outstanding was \$713,176. Future debt service requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2025	\$ 140,681	\$ 38,629
2026	148,615	30,046
2027	156,997	20,978
2028	165,851	11,400
2029	101,032	2,013
Totals	<u>\$ 713,176</u>	<u>\$ 103,066</u>

15. Hitchins Fire Department – Fire Truck

On August 8, 2023, Carter County entered into an \$50,000 direct borrowing with First National Bank of Grayson for the purpose of financing the purchase of a fire truck for Hitchins Fire Department. Hitchins Fire Department agreed to make payments for the term of the lease but was not legally obligated to do so. Terms of the agreement stipulate a five-year repayment schedule, with payments ending on August 8, 2028. If an event of default has occurred, the lessor of this direct borrowing may; (a) terminate the lease term and give notice to the fiscal court to surrender the fire truck within 60 days of notice, (b) sell or re-lease the fire truck, (c) take whatever action at law or in equity may appear necessary or desirable to enforce its rights to the fire truck. As of June 30, 2024, the principal outstanding was \$50,000. Future debt service requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2025	\$ 8,766	\$ 3,295
2026	9,344	2,717
2027	9,959	2,102
2028	10,616	1,445
2029	11,315	746
Totals	<u>\$ 50,000</u>	<u>\$ 10,305</u>

CARTER COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 6. Long-term Debt (Continued)

B. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2024, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 5,029,490	\$ 2,316,977	\$2,634,331	\$ 4,712,136	\$ 610,247
Total Long-term Debt	<u>\$ 5,029,490</u>	<u>\$ 2,316,977</u>	<u>\$2,634,331</u>	<u>\$ 4,712,136</u>	<u>\$ 610,247</u>

C. Aggregate Debt Schedule

The amount of required principal and interest payments on long-term obligations on June 30, 2024, were as follows:

Fiscal Year Ended June 30	Direct Borrowings and Direct Placements	
	Principal	Interest
2025	610,247	260,850
2026	2,186,453	168,600
2027	558,580	79,729
2028	585,979	54,137
2029	439,763	25,598
2030-2031	<u>331,114</u>	<u>13,592</u>
Totals	<u>\$ 4,712,136</u>	<u>\$ 602,506</u>

Note 7. 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 2022 was \$736,641, FY 2023 was \$799,333, and FY 2024 was \$714,150.

CARTER COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 7. Employee Retirement System (Continued)

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 go to the Ky. Ret. Sys. insurance trust fund to be attributed to CERS's share of assets in the fund.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own accounts. Nonhazardous covered employees contribute 5% of their annual creditable compensation. Nonhazardous members also contribute 1% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the 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 23.34%.

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%

CARTER COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 7. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (Continued)

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.

Benefits are covered under KRS 78.5536.

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

Once members reach a minimum vesting period of 15 years, they earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually by 1.5%. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

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

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

C. 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.

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.

CARTER COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 7. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

F. 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 are also available online at <https://kyret.ky.gov>.

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

Note 8. Health Reimbursement Account

The Carter County Fiscal Court established a health reimbursement account to provide employees an additional health benefit for employees that waive their health insurance coverage. The county has contracted with a third-party administrator to administer the plan. The plan provides a debit card to each eligible employee providing \$2,500 each year to pay for qualified medical expenses.

Note 9. Insurance

For the fiscal year ended June 30, 2024, the Carter 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. Prior Period Adjustments

The beginning balance in the General, Road, Jail, LGEA, Jail Commissary, and Enhanced 911 funds were restated and increased \$5,330, \$9,487, \$20, \$1,924, \$200, and \$3,024 respectively, due to prior year voided outstanding checks. In addition, the beginning balance in the General Fund was restated and increased \$13,246 due to prior year loan overpayment refund.

CARTER COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2024

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CARTER COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2024

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 3,434,687	\$ 3,434,687	\$ 3,245,345	\$ (189,342)
In Lieu Tax Payments	200	200		(200)
Excess Fees			86,548	86,548
Licenses and Permits	42,100	42,100	41,926	(174)
Intergovernmental	367,177	2,034,894	2,317,668	282,774
Charges for Services	3,000	3,000	100	(2,900)
Miscellaneous	173,000	173,000	157,457	(15,543)
Interest	800	800	8,999	8,199
Total Receipts	<u>4,020,964</u>	<u>5,688,681</u>	<u>5,858,043</u>	<u>169,362</u>
DISBURSEMENTS				
General Government	1,966,495	2,254,365	2,018,624	235,741
Protection to Persons and Property	35,000	39,968	39,855	113
General Health and Sanitation	95,500	111,110	101,545	9,565
Social Services	2,500	2,500		2,500
Recreation and Culture	25,000	50,000	50,000	
Roads		12,310	12,309	1
Debt Service	198,363	341,488	198,516	142,972
Administration	<u>1,022,500</u>	<u>1,714,579</u>	<u>811,502</u>	<u>903,077</u>
Total Disbursements	<u>3,345,358</u>	<u>4,526,320</u>	<u>3,232,351</u>	<u>1,293,969</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>675,606</u>	<u>1,162,361</u>	<u>2,625,692</u>	<u>1,463,331</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds		63,245	50,000	(13,245)
Transfers From Other Funds	1,205,530	1,205,530	1,343,713	138,183
Transfers To Other Funds	<u>(2,381,136)</u>	<u>(2,381,136)</u>	<u>(2,515,000)</u>	<u>(133,864)</u>
Total Other Adjustments to Cash (Uses)	<u>(1,175,606)</u>	<u>(1,112,361)</u>	<u>(1,121,287)</u>	<u>(8,926)</u>
Net Change in Fund Balance	(500,000)	50,000	1,504,405	1,454,405
Fund Balance - Beginning (Restated)	<u>500,000</u>	<u>500,000</u>	<u>664,624</u>	<u>164,624</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 550,000</u>	<u>\$ 2,169,029</u>	<u>\$ 1,619,029</u>

CARTER COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2024
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 2,596,714	\$ 2,659,524	\$ 2,110,346	\$ (549,178)
Miscellaneous	1,000	791,557	837,330	45,773
Interest	400	400	2,503	2,103
Total Receipts	2,598,114	3,451,481	2,950,179	(501,302)
DISBURSEMENTS				
Roads	2,904,611	4,567,292	4,103,819	463,473
Debt Service	1,465,135	1,354,428	2,684,700	(1,330,272)
Administration	388,700	457,070	441,738	15,332
Total Disbursements	4,758,446	6,378,790	7,230,257	(851,467)
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(2,160,332)	(2,927,309)	(4,280,078)	(1,352,769)
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds		766,977	2,266,977	1,500,000
Transfers From Other Funds	2,333,546	2,333,546	1,993,639	(339,907)
Transfers To Other Funds	(223,214)	(223,214)		223,214
Total Other Adjustments to Cash (Uses)	2,110,332	2,877,309	4,260,616	1,383,307
Net Change in Fund Balance	(50,000)	(50,000)	(19,462)	30,538
Fund Balance - Beginning (Restated)	50,000	50,000	63,106	13,106
Fund Balance - Ending	\$ 0	\$ 0	\$ 43,644	\$ 43,644

CARTER COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2024
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive Negative
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 2,264,500	\$ 2,264,500	\$ 2,432,110	\$ 167,610
Charges for Services	100,000	112,859	167,219	54,360
Miscellaneous	206,000	206,000	177,496	(28,504)
Interest	250	250	466	216
Total Receipts	2,570,750	2,583,609	2,777,291	193,682
DISBURSEMENTS				
Protection to Persons and Property	2,140,008	2,469,776	2,447,816	21,960
Debt Service	30,000	3,076		3,076
Administration	1,095,542	1,005,557	899,986	105,571
Total Disbursements	3,265,550	3,478,409	3,347,802	130,607
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(694,800)	(894,800)	(570,511)	324,289
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	600,000	600,000	595,000	(5,000)
Transfers To Other Funds				
Total Other Adjustments to Cash (Uses)	600,000	600,000	595,000	(5,000)
Net Change in Fund Balance	(94,800)	(294,800)	24,489	319,289
Fund Balance - Beginning (Restated)	94,800	94,800	77,712	(17,088)
Fund Balance - Ending	\$ 0	\$ (200,000)	\$ 102,201	\$ 302,201

CARTER COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2024
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 321,500	\$ 343,802	\$ 411,555	\$ 67,753
Charges for Services	87,000	87,000	112,109	25,109
Miscellaneous	1,000	1,000	15,377	14,377
Interest	100	100	236	136
Total Receipts	409,600	431,902	539,277	107,375
DISBURSEMENTS				
General Government	24,500	24,500	16,650	7,850
Protection to Persons and Property	376,350	414,177	412,918	1,259
General Health and Sanitation	158,224	252,691	247,001	5,690
Roads	20,000	5,863		5,863
Administration	288,850	392,995	368,598	24,397
Total Disbursements	867,924	1,090,226	1,045,167	45,059
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(458,324)	(658,324)	(505,890)	152,434
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	419,824	419,824	520,000	100,176
Transfers To Other Funds	(37,000)	(37,000)		37,000
Total Other Adjustments to Cash (Uses)	382,824	382,824	520,000	137,176
Net Change in Fund Balance	(75,500)	(275,500)	14,110	289,610
Fund Balance - Beginning (Restated)	75,500	75,500	24,327	(51,173)
Fund Balance - Ending	\$ 0	\$ (200,000)	\$ 38,437	\$ 238,437

CARTER COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2024
(Continued)

COMMUNITY DEVELOPMENT BLOCK GRANT FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,000,000	\$ 1,000,000	\$ 1,130,000	\$ 130,000
Total Receipts	1,000,000	1,000,000	1,130,000	130,000
DISBURSEMENTS				
General Health and Sanitation	1,000,000	1,150,000	1,128,000	22,000
Total Disbursements	1,000,000	1,150,000	1,128,000	22,000
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(150,000)	2,000	152,000
Net Change in Fund Balance		(150,000)	2,000	152,000
Fund Balance - Beginning			1,000	1,000
Fund Balance - Ending	\$ 0	\$ (150,000)	\$ 3,000	\$ 153,000

CARTER COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2024
(Continued)

FOREST FIRE FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 3,650	\$ 3,650	\$ 4,060	\$ 410
Total Receipts	3,650	3,650	4,060	410
DISBURSEMENTS				
General Government				
Protection to Persons and Property	21,650	21,650	6,862	14,788
Total Disbursements	21,650	21,650	6,862	14,788
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(18,000)	(18,000)	(2,802)	15,198
Net Change in Fund Balance	(18,000)	(18,000)	(2,802)	15,198
Fund Balance - Beginning	18,000	18,000	18,724	724
Fund Balance - Ending	\$ 0	\$ 0	\$ 15,922	\$ 15,922

CARTER COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2024
(Continued)

INSURANCE PREMIUM FUND				
	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Taxes	\$ 1,989,026	\$ 1,989,026	\$ 1,935,904	\$ (53,122)
Interest	200	200	852	652
Total Receipts	<u>1,989,226</u>	<u>1,989,226</u>	<u>1,936,756</u>	<u>(52,470)</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,989,226</u>	<u>1,989,226</u>	<u>1,936,756</u>	<u>(52,470)</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(1,989,226)</u>	<u>(1,989,226)</u>	<u>(1,937,352)</u>	<u>51,874</u>
Total Other Adjustments to Cash (Uses)	<u>(1,989,226)</u>	<u>(1,989,226)</u>	<u>(1,937,352)</u>	<u>51,874</u>
Net Change in Fund Balance			(596)	(596)
Fund Balance - Beginning			612	612
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 16</u>	<u>\$ 16</u>

CARTER COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2024
(Continued)

CLERK STORAGE FEE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 35,000	\$ 35,000	\$ 36,470	\$ 1,470
Total Receipts	35,000	35,000	36,470	1,470
DISBURSEMENTS				
General Government	55,000	55,000	13,716	41,284
Total Disbursements	55,000	55,000	13,716	41,284
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(20,000)	(20,000)	22,754	42,754
Net Change in Fund Balance	(20,000)	(20,000)	22,754	42,754
Fund Balance - Beginning	20,000	20,000	23,564	3,564
Fund Balance - Ending	\$ 0	\$ 0	\$ 46,318	\$ 46,318

CARTER COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2024
(Continued)

OPIOID FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Miscellaneous	\$ 43,935	\$ 43,935	\$ 287,539	\$ 243,604
Total Receipts	43,935	43,935	287,539	243,604
DISBURSEMENTS				
Administration	313,747	313,747	80,000	233,747
Total Disbursements	313,747	313,747	80,000	233,747
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(269,812)	(269,812)	207,539	477,351
Net Change in Fund Balance	(269,812)	(269,812)	207,539	477,351
Fund Balance - Beginning	269,812	269,812	269,812	
Fund Balance - Ending	\$ 0	\$ 0	\$ 477,351	\$ 477,351

CARTER COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2024
(Continued)

ENCHANCED 911 FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 150,000	\$ 177,845	\$ 282,784	\$ 104,939
Intergovernmental	200,000	322,816	287,110	(35,706)
Miscellaneous	1,000	11,381	7,358	(4,023)
Interest	200	200	353	153
Total Receipts	351,200	512,242	577,605	65,363
DISBURSEMENTS				
Protection to Persons and Property	369,250	500,474	480,152	20,322
Debt Service	18,054	21,154	18,054	3,100
Administration	65,572	92,290	62,892	29,398
Total Disbursements	452,876	613,918	561,098	52,820
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(101,676)	(101,676)	16,507	118,183
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	71,676	71,676		(71,676)
Total Other Adjustments to Cash (Uses)	71,676	71,676		(71,676)
Net Change in Fund Balance	(30,000)	(30,000)	16,507	46,507
Fund Balance - Beginning (Restated)	30,000	30,000	56,046	26,046
Fund Balance - Ending	\$ 0	\$ 0	\$ 72,553	\$ 72,553

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

June 30, 2024

Note 1. Budgetary Information

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

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

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

Note 2. Excess of Disbursements Over Appropriations

The Road Fund, debt service line-item exceeded budgeted appropriations by \$1,330,272.

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CARTER COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2024

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CARTER COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2024

U. S. Department of Housing and Urban Development

Passed-Through Kentucky Department for Local Government

Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii	14.228	21-044	\$ 190,000	\$ 200,000
Community Development Block Grant and Non-Entitlement Grants in Hawaii	14.228	22-048	190,000	199,000
Community Development Block Grant and Non-Entitlement Grants in Hawaii	14.228	23-057	190,000	199,000
Community Development Block Grant and Non-Entitlement Grants in Hawaii	14.228	20-026	<u>500,000</u>	<u>530,000</u>

Total U.S. Department of Housing and Urban Development			<u><u>\$ 1,070,000</u></u>	<u><u>\$ 1,128,000</u></u>
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U. S. Department of Homeland Security

Passed-Through Kentucky Emergency Management

Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4595-Dr-KY	\$	\$ 203,355
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4711-Dr-KY	<u></u>	<u>1,620</u>

Total U.S. Department of Homeland Security			<u><u>\$</u></u>	<u><u>204,975</u></u>
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Total Expenditures of Federal Awards			<u><u>\$ 1,070,000</u></u>	<u><u>\$ 1,332,975</u></u>
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The accompanying notes are an integral part of this schedule.

CARTER COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2024

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Carter County, Kentucky under programs of the federal government for the year ended June 30, 2024. 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 Carter County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Carter 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

Carter 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.

CARTER COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2024

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CARTER COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2024

The fiscal court reports the following Schedule of Capital Assets:

	(Restated *) Beginning Balance	Additions	Deletions	Ending Balance
Land & Land Improvements	\$ 975,400	\$	\$	\$ 975,400
Buildings	16,266,495			16,266,495
Vehicles and Equipment *	2,640,513	766,977	523,552	2,883,938
Other Equipment *	2,732,981	223,611		2,956,592
Infrastructure	10,547,881	1,206,486		11,754,367
Total Capital Assets	<u>\$ 33,163,270</u>	<u>\$ 2,197,074</u>	<u>\$ 523,552</u>	<u>\$ 34,836,792</u>

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

June 30, 2024

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 & Land Improvements	\$ 125,000	10-60
Buildings	\$ 25,000	10-75
Vehicles and Equipment	\$ 5,000	3-25
Other Equipment	\$ 5,000	3-25
Infrastructure	\$ 10,000	10-50

Note 2. Restatement of Capital Asset Beginning Balance

The prior year ending balance for vehicles and equipment was restated and increased by \$104,831 to account for prior year omissions. The prior year ending balance for other equipment was restated and decreased by \$204,494 to account for prior year omissions.

**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 Brandon Burton, Carter County Judge/Executive
Members of the Carter 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 Carter County Fiscal Court for the fiscal year ended June 30, 2024, and the related notes to the financial statement which collectively comprise the Carter County Fiscal Court's financial statement and have issued our report thereon dated August 26, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Carter 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 Carter County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Carter 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 a 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 deficiency described in the accompanying Schedule of Findings and Questioned Costs as items 2024-001 and 2024-002 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 2024-003 to be a significant deficiency.

Report on Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Carter 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 Questioned Costs as item 2024-002.

Views of Responsible Officials and Planned Corrective Action

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

August 26, 2025

**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 Brandon Burton, Carter County Judge/Executive
Members of the Carter County Fiscal Court

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Carter 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 Carter County Fiscal Court's major federal programs for the year ended June 30, 2024. The Carter 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 Carter 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, 2024.

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 Carter 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 Carter 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 Carter 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 Carter 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 Carter 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 Carter 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 Carter 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 Carter 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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a significant deficiency.

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)

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2024-004 to be a significant deficiency.

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. *Government Auditing Standards* requires the auditor to perform limited procedures on Carter County Fiscal Court's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Carter County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

August 26, 2025

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CARTER COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2024

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**CARTER COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For The Year Ended June 30, 2024

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 Unmodified 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>
14.228	Community Development Block Grant-State's Program

Dollar threshold used to distinguish between Type A and

Type B programs: \$750,000

Auditee qualified as a low-risk auditee? ☐ Yes ☒ No

CARTER COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2024
(Continued)

Section II: Financial Statement Findings

2024-001 The Fourth Quarter Financial Report Was Materially Misstated

The fourth quarter financial report, which serves as the county's year-end financial statement, was materially misstated. The following errors and omissions occurred:

- General Fund receipts of \$66,800 were incorrectly posted as a transfer and General Fund receipts in the amount of \$68,012 were incorrectly posted as Enhanced 911 Fund receipts. Additionally, \$13,246 of prior year carryover was incorrectly posted as borrowed money.
- Opioid Settlement Fund receipts of \$229,943 were incorrectly posted as General Fund receipts.
- Road Fund receipts and disbursement were misstated due to the omission of a \$1,500,000 loan refinance and Road Fund debt service payments of \$81,393 were incorrectly posted as General Fund disbursements. Additionally, \$33,378 of rental payments were misclassified as debt service.
- Jail Fund receipts of \$47,593 were incorrectly posted as Enhanced 911 receipts and lease payments of \$3,706 were incorrectly posted to debt services. Additionally, \$44,018 was incorrectly posted as a transfer.
- CDBG Fund receipts of \$101,443 incorrectly posted as Enhanced 911 receipts.
- Enhanced 911 Fund receipts of \$259,854 were incorrectly posted as transfers and lease payments were incorrectly posted as debt services in the amount of \$3,100.

The county did not have adequate internal control, oversight, and review procedures in place to ensure financial activity was accurately recorded and reported in accordance with the uniform system of accounts as required.

Consequently, errors and omissions occurred and were undetected resulting in the financial statement being materially misstated. Inaccurate financial reporting is problematic because the commissioners and county judge/executive rely on financial data presented to them to be complete and accurate in order to make prudent financial decisions on behalf of the county and taxpayers. Furthermore, external organizations may use and rely on financial information reported by the county so accurate financial reporting should be a priority.

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

We recommend the county treasurer thoroughly examine each account line item on the quarterly report to ensure items were posted properly. Each adjustment made by auditors has been presented to and reviewed with the county treasurer. We recommend the county treasurer use these errors and omissions as guidance when preparing future financial statements. In addition, we recommend the fiscal court establish adequate internal controls, oversight, and review procedures to ensure that all financial data is completely and accurately recorded and reported.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Corrections have been made. Was not aware I needed to post the \$1,500,000 because it was a refinance. In the future I will post all loans.

CARTER COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2024
(Continued)

Section II: Financial Statement Findings (Continued)

2024-002 The Carter County Fiscal Court Overspent The Road Fund By \$851,467

The fiscal court executed a loan to refinance a FEMA road project loan. The receipt of loan proceeds and the payoff of the prior loan were not reflected in the fiscal court's bank activity, or fourth quarter financial report as these funds were paid directly to the vendor by the financing entity. All loan proceeds and asset purchases should be included on quarterly financial reports. The county failed to notify the Department for Local Government for approval of the refinancing of the loan. The fiscal court did not know they should budget a refinanced loan and did not realize the Department for Local Government needed to approval a refinanced loan.

As a result, the fiscal court failed to properly record \$1,500,000 in debt related receipts and disbursements for the fiscal year, the budget was overspent by \$851,467 due to this issue. Fiscal court is also not in compliance with requirements set by the Department for Local Government when entering into financial obligations.

KRS 68.300 states, "Any appropriation made, or claim allowed by the fiscal court in excess of any budget fund, and any warrant or contract not within the budget appropriation, shall be void." KRS 68.280 gives fiscal courts through the state local finance officer, the ability to amend the budget, when necessary, which would have prevented appropriations from exceeding the approved budget. Because the fiscal court is obligated for these financing obligations, all debt should be budgeted for and recorded.

Pursuant to KRS 65.117, no city, county, urban county, consolidated local government, charter County, special district, or taxing district shall enter into any financing obligation of any nature, except leases under \$200,000, without first notifying the State Local Debt Officer in writing.

A local government proposing to enter into a financing obligation of any nature shall complete the Notice of Intent to Finance/Application for Debt Approval (SLDO-1) form pages 87-89 in the *County Budget Preparation and State Local Finance Officer Policy Manual*.

We recommend the fiscal court comply with regulatory reporting requirements by recording all borrowed money, including those transactions handled by a third-party lender, in order to accurately report financing obligations proceeds received and assets purchased. Fiscal court should also review and increase the fund budgets when needed.

Furthermore, the county should follow KRS 65.117 by submitting the Notice of Intent to Finance/Application for Debt Approval (SLDA-1) form prior to entering into any financing arrangements.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: I was not aware I needed to post the \$1,500,000 because it was a refinance. In the future I will post all loans.

2024-003 The Jail Commissary Purchased Electronic Cigarettes Without Properly Obtaining Bids

The jail commissary purchased electronic cigarettes (e-cigarettes) totaling \$65,392 from a vendor without properly obtaining bids. These purchases consisted of 5 invoices less than \$20,000 each. According to the jailer, he believed that bidding was no longer required for electronic cigarettes because of a change to a Kentucky Revised Statute that related to e-cigarette purchases. By not properly obtaining bids on the e-cigarettes, it cannot be determined if the jailer has procured these items at the best available price.

CARTER COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2024
(Continued)

Section II: Financial Statement Findings (Continued)

2024-003 The Jail Commissary Purchased Electronic Cigarettes Without Properly Obtaining Bids
 (Continued)

Carter County's Administrative Code section 9.2(A)(C) states, "The agency, department or person requiring supplies, services or construction shall submit to the County Judge a request containing specifications and quantities desired." "Any expenditure or contract for materials, supplies (except perishable meat, fish, and vegetables), equipment, or for contractual services other than professional, involving and expenditure of more than twenty thousand dollars (\$20,000) shall be subject to competitive bidding."

Good internal controls dictate that the jailer follow guidelines set forth for bid requirements to ensure that the best price is obtained.

We recommend that the jailer properly obtain bids for electronic cigarettes, and any other purchases that meet the requirements of the Carter County Administrative Code.

Views of Responsible Official and Planned Corrective Action:

Jailer's Response: It is and was our belief that under previous changes in the law with e-cigs, that the bid process was moot. Currently there is only one distributor that sells to jails in Ky. Upon last check, our commissary company also procures though that vendor and we get the same e-cigs for 50 cents less per cig. So as always, we are getting the best price for the county.

Section III: Federal Award Findings And Questioned Costs

2024-004 The Carter County Fiscal Court Did Not Establish And Maintain Adequate Internal Controls Over
 Compliance With CDBG Requirements

*Federal Program: Community Development Block Grants/State's Program and Non-Entitlement Grants in
 Hawaii Assistance Listing Number 14.228*

Award Number and Year: Multiple Years

*Name of Federal Agency and Pass-Through Agency: U.S. Department of Housing and Urban Development /
 Kentucky Department for Local Government*

*Compliance Requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Period of
 Performance; Special Tests & Provisions*

Type of Finding: Significant Deficiency

Amount of Questioned Costs: \$0

The Carter County Fiscal Court did not maintain all invoices and signed drawdown requests. However, this documentation was obtained later by the fiscal court from grant administrators and other sources. Invoices are required supporting documentation and should be reviewed before authorizing the drawdown and spending of federal awards. Drawdown requests are required to be maintained to document that the receipt of federal funds have been authorized. The fiscal court failed to review grant agreements to determine what required supporting documentation should have been maintained.

The Carter County Fiscal Court, by not maintaining supporting documentation for review before authorizing the drawdown of federal funds, increases the risk federal funds could be spent on unallowable activities or unallowable costs, which would be a noncompliance of grant requirements.

CARTER COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2024
(Continued)

Section III: Federal Award Findings And Questioned Costs (Continued)

2024-004 The Carter County Fiscal Court Did Not Establish And Maintain Adequate Internal Controls Over Compliance With CDBG Requirements (Continued)

2 CFR § 200.303 Internal Controls (Current as of June 30, 2024), states the non-Federal entity must:

- (a) Establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with the guidance in “Standards for Internal Control in the Federal Government,” issued by the Comptroller General of the United States (Green Book) or the “Internal Control Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We recommend the Carter County Fiscal Court should review all grant agreements to determine the supporting documentation to be maintained, and review supporting documentation before authorizing the drawdown and spending of federal funds to ensure compliance with the grant program or contract requirements.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive’s Response: I have been working with CDBG grants for 25 years and have never had a problem with having invoices or anything else. [Grant administrator name redacted] was administering the grant and failed to give me all the needed documents. In the future I will make sure to get the documents.

Section IV: Summary Schedule of Prior Audit Findings

None.

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

CARTER COUNTY FISCAL COURT

For The Year Ended June 30, 2024

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CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
COUNTY FISCAL COURT

For The Year Ended June 30, 2024

The Carter 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.

A handwritten signature in dark ink, appearing to read "Buck S. B. Jr.", written over a horizontal line.

County Judge/Executive

A handwritten signature in dark ink, appearing to read "Beth Justice", written over a horizontal line.

County Treasurer