

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

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



**ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS
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CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
CUMBERLAND COUNTY OFFICIALS	5
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - REGULATORY BASIS	8
NOTES TO FINANCIAL STATEMENT	12
BUDGETARY COMPARISON SCHEDULES	29
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES	41
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	45
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	46
SCHEDULE OF CAPITAL ASSETS	49
NOTES TO OTHER INFORMATION - REGULATORY BASIS SCHEDULE OF CAPITAL ASSETS	50
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	53
REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE	57
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	63
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	

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ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

Independent Auditor's Report

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Luke King, Cumberland County Judge/Executive
Members of the Cumberland 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 Cumberland County Fiscal Court, for the year ended June 30, 2024, and the related notes to the financial statement, which collectively comprise the Cumberland 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 Cumberland 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 Cumberland 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 Cumberland 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 Luke King, Cumberland County Judge/Executive
 Members of the Cumberland County Fiscal Court

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

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

Cumberland 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 Cumberland 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 Cumberland 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 Cumberland 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 Cumberland 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.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2025, on our consideration of the Cumberland 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 Cumberland 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 Cumberland County Fiscal Court's Schedule Of Expenditures Of Federal Awards Was Not Accurate
- 2024-002 The Cumberland County Fiscal Court Did Not Properly Record All Debt On The Fourth Quarter Financial Report
- 2024-003 The Cumberland County Fiscal Court Failed To Implement Adequate Controls Over Federal Expenditures

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

April 16, 2025

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

Luke King	County Judge/Executive
Rondall Wray	Magistrate
Lane Cope	Magistrate
Larry Anderson	Magistrate
Jeffery Cyphers	Magistrate

Other Elected Officials:

Coleman Hurt	County Attorney
Thomas Brown	Jailer
Bryan Morgan	County Clerk
Tracy Brewington	Circuit Court Clerk
Keaton Williams	Sheriff
Gina Shaye Watson	Property Valuation Administrator
Gary White	Coroner

Appointed Personnel:

Stacey Thrasher	County Treasurer
Eugenia Ferguson	County Finance Officer

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

For The Year Ended June 30, 2024

CUMBERLAND 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	Local Government Economic Assistance Fund
RECEIPTS				
Taxes	\$ 1,197,022	\$	\$	\$
In Lieu Tax Payments	67,502			
Excess Fees	126,069			
Licenses and Permits	19,046			
Intergovernmental	461,375	2,057,089	85,651	35,150
Miscellaneous	235,099	8,531	1,010	
Interest	21,732	15,932	626	400
Total Receipts	<u>2,127,845</u>	<u>2,081,552</u>	<u>87,287</u>	<u>35,550</u>
DISBURSEMENTS				
General Government	812,671	15,955		17,251
Protection to Persons and Property	83,024		450,367	839
General Health and Sanitation	69,820			
Recreation and Culture	114,000			
Transportation Facility and Services		8,079		
Roads	154,187	1,636,472		
Debt Service	9,495	442,682		
Capital Projects		6,284		
Administration	405,894	274,605	37,431	13,659
Total Disbursements	<u>1,649,091</u>	<u>2,384,077</u>	<u>487,798</u>	<u>31,749</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>478,754</u>	<u>(302,525)</u>	<u>(400,511)</u>	<u>3,801</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds	126,814	373,186		
Transfers From Other Funds	769,806	100,000	420,800	
Transfers To Other Funds	<u>(777,843)</u>	<u>(306,842)</u>		
Total Other Adjustments to Cash (Uses)	<u>118,777</u>	<u>166,344</u>	<u>420,800</u>	
Net Change in Fund Balance	597,531	(136,181)	20,289	3,801
Fund Balance - Beginning (Restated)	<u>197,491</u>	<u>409,544</u>	<u>2,273</u>	<u>9,488</u>
Fund Balance - Ending	<u>\$ 795,022</u>	<u>\$ 273,363</u>	<u>\$ 22,562</u>	<u>\$ 13,289</u>
Composition of Fund Balance				
Bank Balance	\$ 806,784	\$ 288,424	\$ 22,606	\$ 13,289
Plus: Deposits In Transit	25			
Less: Outstanding Checks	<u>(11,787)</u>	<u>(15,061)</u>	<u>(44)</u>	
Fund Balance - Ending	<u>\$ 795,022</u>	<u>\$ 273,363</u>	<u>\$ 22,562</u>	<u>\$ 13,289</u>

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

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

Budgeted Funds							
Federal Grants Fund	Special Fund	Clerk Storage Fee Fund	Health Services Fund	Community Development Block Grant Fund	Alcohol Beverage Control Fund	American Rescue Plan Act Fund	Opioid Settlement Fund
\$	\$ 223,348	\$	\$	\$	\$ 76,004	\$	\$
93,135		16,358	393,791	5,000		50,000	89,222
		677	2,038		2,770	23,654	4,083
93,135	223,348	17,035	395,829	5,000	78,774	73,654	93,305
303,043				5,000	86,245	5,654	50
85,134	224,310						
4,000							
			393,263				
					1,199		
392,177	224,310		393,263	5,000	87,444	5,654	50
(299,042)	(962)	17,035	2,566		(8,670)	68,000	93,255
368,185						(574,106)	
368,185						(574,106)	
69,143	(962)	17,035	2,566		(8,670)	(506,106)	93,255
	11,366	11,752	648,979		79,807	994,747	85,809
\$ 69,143	\$ 10,404	\$ 28,787	\$ 651,545	\$ 0	\$ 71,137	\$ 488,641	\$ 179,064
\$ 71,030	\$ 10,404	\$ 28,787	\$ 651,545	\$	\$ 71,137	\$ 488,641	\$ 179,064
(1,887)							
\$ 69,143	\$ 10,404	\$ 28,787	\$ 651,545	\$ 0	\$ 71,137	\$ 488,641	\$ 179,064

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

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

	<u>Unbudgeted Fund</u>	
	Public Properties Corporation Fund	Total Funds
RECEIPTS		
Taxes	\$	\$ 1,496,374
In Lieu Tax Payments		67,502
Excess Fees		126,069
Licenses and Permits		19,046
Intergovernmental	441,503	3,228,903
Miscellaneous		744,011
Interest	380	72,292
Total Receipts	<u>441,883</u>	<u>5,754,197</u>
DISBURSEMENTS		
General Government		1,245,869
Protection to Persons and Property		843,674
General Health and Sanitation		73,820
Recreation and Culture		114,000
Transportation Facility and Services		8,079
Roads		1,790,659
Debt Service	441,503	1,286,943
Capital Projects		6,284
Administration		732,788
Total Disbursements	<u>441,503</u>	<u>6,102,116</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>380</u>	<u>(347,919)</u>
Other Adjustments to Cash (Uses)		
Financing Obligation Proceeds		500,000
Transfers From Other Funds		1,658,791
Transfers To Other Funds		(1,658,791)
Total Other Adjustments to Cash (Uses)		<u>500,000</u>
Net Change in Fund Balance	380	152,081
Fund Balance - Beginning (Restated)	<u>1,610</u>	<u>2,452,866</u>
Fund Balance - Ending	<u>\$ 1,990</u>	<u>\$ 2,604,947</u>
Composition of Fund Balance		
Bank Balance	\$ 1,990	\$ 2,633,701
Plus: Deposits In Transit		25
Less: Outstanding Checks		(28,779)
Fund Balance - Ending	<u>\$ 1,990</u>	<u>\$ 2,604,947</u>

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

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENT**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	12
NOTE 2.	DEPOSITS	16
NOTE 3.	TRANSFERS.....	16
NOTE 4.	LEASES	17
NOTE 5.	SHORT-TERM DEBT	18
NOTE 6.	LONG-TERM DEBT	18
NOTE 7.	EMPLOYEE RETIREMENT SYSTEM	23
NOTE 8.	DEFERRED COMPENSATION.....	26
NOTE 9.	INSURANCE.....	26
NOTE 10.	PRIOR PERIOD ADJUSTMENT	26
NOTE 11.	SUBSEQUENT EVENT	26

**CUMBERLAND COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2024

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The Cumberland County Hospital Association, Inc. (Hospital Association) and the Cumberland County Tourism Commission would have been included in the reporting entity under accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. However, under the regulatory basis, they no longer are required components of the reporting entity. Audits of the Hospital Association and the Cumberland County Tourism Commission can be obtained from the Cumberland County Fiscal Court at 600 Courthouse Square, Burkesville, KY 42717.

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.

CUMBERLAND 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)

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, and transfers from the general fund. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

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

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

Special Fund - The primary purpose of this fund is to account for emergency 911 dispatch and services. The primary source of receipts is the 911 fee charged to county residents.

Clerk Storage Fee Fund - The primary purpose of this fund is to account for storage fees collected by the county clerk and disbursements related to permanent storage for the county clerk's office. These funds are required to be held and budgeted by the county treasurer for the use of the county clerk.

Health Services Fund - The primary purpose of this fund is to account for the acquisition, construction, and financing of the public health facility projects and related debt service payments.

Community Development Block Grant Fund - The primary purpose of this fund is to account for the purchase of equipment for a project. The primary source of receipts is grants from the federal government.

Alcohol Beverage Control Fund - The primary purpose of this fund is to account for all alcohol beverage tax receipts and disbursements. The primary purpose of receipts is from taxes collected on alcohol sales.

American Rescue Plan Act Fund - The primary purpose of this fund is to account for federal receipts and disbursements associated with the American Rescue Plan Act (ARPA).

Opioid Settlement Fund - The primary purpose of this fund is to account for receipts and disbursements associated with the funds received from the state's settlement with major pharmaceutical distributors in the United States.

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Unbudgeted Funds

The fiscal court reports the following unbudgeted fund:

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

D. Budgetary Information

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

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

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

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

E. Cumberland County Elected Officials

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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.

H. Related Obligations and Joint Ventures

A related organization is associated or affiliated with, have control over, or are controlled by, each other. However, a related organization can be an entity for which a primary government is not financially accountable, but the primary government is still accountable because it appoints a voting majority of the board. The Cumberland County Fiscal Court appoints the commissioners of the Cumberland County Water District, thus making them related organizations.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. The Cumberland County Fiscal entered into an interlocal agreement with City of Burkesville for operation of Cumberland County E-911 Board. The Cumberland County Fiscal Court entered a multi-county agreement with Clinton and Wayne counties to form the Tri-County Animal Control. Joint control and financial interest/responsibility exists between entities within each of these agreements, thus creating joint ventures. Regional governments or other multi-governmental arrangements that are governed by representatives from each of the governments that created the organizations but are not joint ventures because the participants do not retain an ongoing financial interest, or responsibility is a jointly governed organization. The Cumberland County Fiscal Court entered an agreement with the City of Burkesville to form the Burkesville/Cumberland County Industrial Development Authority but have no financial interest, thus creating a joint governed organization.

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

Note 2. Deposits

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of DLG's 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	Road Fund	ARPA Fund	Total Transfers In
General Fund	\$	\$ 195,700	\$ 574,106	\$ 769,806
Road Fund	100,000			100,000
Jail Fund	420,800			420,800
Federal Grants Fund	257,043	111,142		368,185
Total Transfers Out	<u>\$ 777,843</u>	<u>\$ 306,842</u>	<u>\$ 574,106</u>	<u>\$ 1,658,791</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.

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

Note 4. Leases

1. Lessor

- A. On February 4, 2004, the Cumberland County Public Properties Corporation, a blended component unit of the fiscal court, began leasing the judicial center to the Administrative Office of the Courts (AOC). The lease is for two year periods and the rental payments shall agree to the annual principal and interest costs on the bonds issued for the financing of the building construction. On July 1 of each even numbered year, the lease may be renewed by AOC for another biennial period. The lease renewal shall automatically be considered to have affirmatively exercised each even numbered year by AOC, unless notice of its election not to exercise the option for the biennial period be given by AOC to the corporation, the trustee, and the county in writing at least 60 days prior to the renewal date hereof. Rental payments are due at least two business days prior to March 1 and September 1. The corporation recognized \$30,630 in lease revenue during the current fiscal year. As of June 30, 2024, the corporation's receivable for lease payments was \$0.
- B. On October 27, 2011, the Cumberland County Public Properties Corporation, a blended component unit of the fiscal court, began leasing the judicial center to the AOC. The lease is for two year periods and the rental payments shall agree to the annual principal and interest costs on the bonds issued for the financing of the building construction. On July 1 of each even numbered year, the lease may be renewed by AOC, for another biennial period of two years. The lease renewal shall automatically be considered to have affirmatively exercised each even numbered year by AOC, unless notice of its election not to exercise the option for the biennial period be given by AOC to the corporation, the trustee, and the county in writing at least 60 days prior to the renewal date hereof. Rental payments are due at least two business days prior to March 1 and September 1. The corporation recognized \$410,873 in lease revenue during the current fiscal year. As of June 30, 2024, the corporation's receivable for lease payments was \$0.

2. Lessee

In April 2021, the Cumberland County Fiscal Court entered into a four-year lease agreement as lessee for the acquisition and use of office equipment. An initial lease liability was recorded in the amount of \$3,096 during fiscal year 2021. As of June 30, 2024, the value of the lease liability was \$645. The Cumberland County Fiscal Court is required to make monthly payments of \$65.

The future lease payments as of June 30, 2024, were as follows:

Fiscal Year Ended June 30	Amount
2025	\$ 387
2026	258
Total Minimum Lease Payments	<u>\$ 645</u>

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

Note 5. Short-term Debt

A. Direct Borrowings and Direct Placements

1. FEMA Project #25

On December 20, 2022, the fiscal court entered into a general obligation fixed rate lease with the Kentucky Association of Counties Leasing Trust (KACoLT) to refinance a FEMA project. The principal was \$310,600 at an interest rate of 5.19% which includes an administrative fee of 1.30% for one year, with interest paid monthly. The remaining amount due of \$260,600 was refinanced on October 31, 2023.

B. Changes In Short-term Debt

Short-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	\$ 260,600	\$	\$ 260,600	\$	\$
Total Short-term Debt	\$ 260,600	\$ 0	\$ 260,600	\$ 0	\$ 0

Note 6. Long-term Debt

A. Direct Borrowings and Direct Placements

For each item of debt listed below, the occurrence of any one or more of the following events constitutes an “event of default” under the lease: (a) lessee’s failure to make any lease payment (or any other payment) as it becomes due in accordance with the terms of this lease; (b) failure by the lessee to vacate or surrender the project by the July 1 following an event of non-appropriation as provided in Section 9; (c) lessee’s failure to perform or observe any other covenant, condition or agreement to be performed or observed by it under this lease or any document delivered by the lessee pursuant to or in connection with this lease, and the failure is not cured or steps satisfactory to the lessor taken to cure the failure, within 15 days after written notice of the failure to the lessee by the lessor; or (d) any material statement, representation or warrant made by the lessee in this lease or in any writing delivered by the lessee pursuant to or in connection with the lease is false, misleading or erroneous in any material respect.

1. Truck #17

On February 5, 2019, the fiscal court entered into a capital lease agreement with KACoLT for the purchase of a truck for the road department. The principal was \$126,442 at an interest of 5.18% which includes the administrative fee of .4% for a period of 5 years, with principal and interest paid monthly. The principal outstanding as of June 30, 2024, was \$15,956. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2025	\$ 15,956	\$ 311
Totals	\$ 15,956	\$ 311

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

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

2. Flood Relief #21

On April 23, 2021, the fiscal court entered into a capital lease agreement with the KACoLT for the financing of a flood relief project. The principal was \$500,000 at a fixed interest of 3.74%, with principal and interest paid monthly. The fiscal court was not required to start making payments on the lease until July 2022. The principal outstanding as of June 30, 2024, was \$257,228. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2025	\$ 82,561	\$ 8,215
2026	85,703	5,073
2027	88,964	1,812
Totals	<u>\$ 257,228</u>	<u>\$ 15,100</u>

3. Truck #20

On January 6, 2021, the fiscal court entered into a capital lease agreement with the KACoLT for the purchase of a truck for the road department. The principal was \$58,029 at a fixed interest of 3.74%, with principal and interest paid monthly. This lease was paid in full on January 9, 2024.

4. Backhoe #22

On August 23, 2021, the fiscal court entered into a fixed rate lease with KACoLT for the purchase of a backhoe for the road department. The principal was \$126,749 at a fixed interest rate of 3.74%, with principal and interest paid monthly. The principal outstanding as of June 30, 2024, was \$60,209. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2025	\$ 26,137	\$ 1,807
2026	27,130	812
2027	6,942	43
Totals	<u>\$ 60,209</u>	<u>\$ 2,662</u>

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

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

5. EM Vehicle #23

On August 23, 2021, the fiscal court entered into a fixed rate lease with KACoLT for the purchase of an emergency management vehicle. The principal was \$34,437 at a fixed interest rate of 3.74%, with principal and interest paid monthly. The principal outstanding as of June 30, 2024, was \$16,060. Future principal and interest requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2025	\$ 9,048	\$ 447
2026	<u>7,012</u>	<u>110</u>
Totals	<u>\$ 16,060</u>	<u>\$ 557</u>

6. FEMA Project #26

On October 27, 2023, the fiscal court entered into a general obligation fixed rate lease with KACoLT to refinance a FEMA project and cover additional FEMA costs. The principal was \$500,000 at a fixed interest rate of 5.93% and an administrative fee of 0.60%, with interest paid monthly. Of the \$500,000, \$260,600 was used to pay off FEMA project #25 and additional \$239,400 to finance additional FEMA projects. The principal outstanding as of June 30, 2024, was \$500,000. Future principal and interest requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2025	\$	\$ 33,062
2026	<u>500,000</u>	<u>11,048</u>
Totals	<u>\$ 500,000</u>	<u>\$ 44,110</u>

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

Note 6. Long-term Debt (Continued)

B. Other Debt

1. Cumberland Health Services Corporation Mortgage Revenue Bonds – Series 2012

On April 18, 2012, the Cumberland Health Services Corporation issued \$8,500,000 of mortgage revenue bonds for the purpose of financing the construction and equipment needed for hospital additions and improvements to the hospital and related facilities. If the lessee shall fail to pay the rentals due for the rental of the project property at the time herein stipulated and shall continue to fail to pay such rentals after receipt by the lessee from the issuer and/or from the trustee of 20 days written notice to cure such default, then this lease shall be immediately terminated, and all rights and any further options to renew this lease on the part of the lessee shall be terminated and forfeited to the issuer, provided that the obligation of the lessee to pay rentals due for the current rental year, to maintain insurance on the project property, and to operate, maintain, repair, replace, renovate, and improve same, shall continue until the expiration of the latest effective year. The bonds mature serially through January 1, 2051, and require annual principal payments on January 1 and semi-annual interest payments at an interest rate of 3.375% on January 1 and July 1 of each year. Bonds outstanding as of June 30, 2024, were \$7,165,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2025	\$ 152,500	\$ 241,819
2026	158,500	236,672
2027	165,000	231,323
2028	171,500	225,754
2029	178,000	219,966
2030-2034	1,004,500	1,004,636
2035-2039	1,221,500	821,070
2040-2044	1,486,500	597,729
2045-2049	1,808,000	326,042
2050-2051	819,000	41,580
Totals	<u>\$ 7,165,000</u>	<u>\$ 3,946,591</u>

The Cumberland Health Services Corporation, a public, nonprofit governmental corporation established by the fiscal court, owns the hospital land and building. On April 1, 2012, the corporation entered into a lease agreement with the fiscal court to lease the hospital land and building. On the same day, the fiscal court entered into a sublease agreement with the Hospital Association, a nonprofit, private corporation, to operate the hospital. As part of the sublease agreement the Hospital Association is required to make monthly rental payments equal to the principal and interest on the 2012 bonds to be paid on January 1 each year. In addition, the Hospital Association is required to maintain certain deposits with a trustee under the corporation's name. The 2012 bonds are to be collateralized by all revenues generated by the hospital. All hospital assets are reported by the Hospital Association.

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

Note 6. Long-term Debt (Continued)

B. Other Debt (Continued)

2. Cumberland County Public Properties Corporation Mortgage Revenue Bonds – Series 2004

On February 4, 2004, the Cumberland County Public Properties Corporation issued \$405,000 of mortgage revenue bonds to complete the construction of the justice center facility. In the event AOC shall elect not to renew the lease at any time, or fail to pay the stipulated AOC rentals, or the county shall elect not to renew the lease at any time, or fail to pay their stipulated proportionate share, then and in that event and upon ensuing default in the payment of the principal of or interest on the bonds, the mortgage, as the case may be, shall be enforced, which enforcement may, under the terms of the mortgage, include foreclosure of the liens created by the mortgage and sale of the project. The bonds mature serially through September 1, 2023, and require annual principal payments on September 1 and semi-annual interest payments at the rate of 4.2% on March 1 and September 1 of each year. This lease was paid in full September 1, 2023.

3. Cumberland County Public Properties Corporation Lease Refunding Revenue Bonds – Series 2011

On October 27, 2011, the Cumberland County Public Properties Corporation issued \$3,630,000 of lease refunding revenue bonds to partially refund the series 2002 mortgage revenue bonds used to construct the justice center facility. In the event AOC shall elect not to renew the lease at any time, or fail to pay the stipulated AOC rentals, or the county shall elect not to renew the lease at any time, or fail to pay their stipulated proportionate share, then and in that event and upon ensuing default in the payment of the principal of or interest on the bonds, the mortgage, as the case may be, shall be enforced, which enforcement may, under the terms of the mortgage, include foreclosure of the liens created by the mortgage and sale of the project. The bonds mature serially through September 1, 2023, and require annual principal payments on September 1 and semi-annual interest payments at rates ranging from 1% to 2.9% on March 1 and September 1 of each year. This lease was paid in full September 1, 2023.

C. 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	\$ 497,714	\$ 500,000	\$ 148,261	\$ 849,453	\$ 133,702
Revenue Bonds	7,746,500		581,500	7,165,000	152,500
Total Long-term Debt	<u>\$ 8,244,214</u>	<u>\$ 500,000</u>	<u>\$ 729,761</u>	<u>\$ 8,014,453</u>	<u>\$ 286,202</u>

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

Note 6. Long-term Debt (Continued)

D. Aggregate Debt Schedule

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

Fiscal Year Ended June 30	Other Debt		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2025	\$ 152,500	\$ 241,819	\$ 133,702	\$ 43,842
2026	158,500	236,672	619,845	17,043
2027	165,000	231,323	95,906	1,855
2028	171,500	225,754		
2029	178,000	219,966		
2030-2034	1,004,500	1,004,636		
2035-2039	1,221,500	821,070		
2040-2044	1,486,500	597,729		
2045-2049	1,808,000	326,042		
2050-2051	819,000	41,580		
Totals	<u>\$ 7,165,000</u>	<u>\$ 3,946,591</u>	<u>\$ 849,453</u>	<u>\$ 62,740</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. 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 \$586,551, FY 2023 was \$300,475 and FY 2024 was \$254,170.

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 CERS insurance fund.

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

Note 7. Employee Retirement System (Continued)

Nonhazardous (Continued)

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

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.

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

Note 7. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

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

Once members reach a minimum vesting period of 15 years, they earn \$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, CERS will pay a \$5,000 death benefit payment to the beneficiary designated by the member specifically for this benefit. Members with multiple accounts are entitled to only one death benefit.

F. Annual Financial Report and Proportionate Share Audit Report

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.

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

Note 8. Deferred Compensation

The Cumberland County Fiscal Court voted on September 12, 2022, to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax-sheltered supplemental retirement plans for all state, public school and university employees, and employees of local political subdivisions that have elected to participate.

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

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

Note 9. Insurance

For the fiscal year ended June 30, 2024, the Cumberland 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 Adjustment

The beginning balance of the road fund was restated by \$1,688 for prior year voided checks.

Note 11. Subsequent Event

The Cumberland County Fiscal Court approved an insurance premium tax ordinance #2023-004 on September 11, 2023. This ordinance became effective July 1, 2024. As of March 31, 2025, the fiscal court has collected \$229,168 in taxes.

CUMBERLAND COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2024

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CUMBERLAND 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	\$ 940,702	\$ 1,150,465	\$ 1,197,022	\$ 46,557
In Lieu Tax Payments	62,650	62,650	67,502	4,852
Excess Fees	13,600	126,069	126,069	
Licenses and Permits	18,081	18,081	19,046	965
Intergovernmental	436,950	436,950	461,375	24,425
Miscellaneous	95,111	141,086	235,099	94,013
Interest	430	14,150	21,732	7,582
Total Receipts	<u>1,567,524</u>	<u>1,949,451</u>	<u>2,127,845</u>	<u>178,394</u>
DISBURSEMENTS				
General Government	764,165	833,592	812,671	20,921
Protection to Persons and Property	85,549	84,654	83,024	1,630
General Health and Sanitation	72,080	77,171	69,820	7,351
Recreation and Culture	95,202	116,762	114,000	2,762
Roads		154,187	154,187	
Debt Service	9,496	9,496	9,495	1
Administration	573,588	825,880	405,894	419,986
Total Disbursements	<u>1,600,080</u>	<u>2,101,742</u>	<u>1,649,091</u>	<u>452,651</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(32,556)</u>	<u>(152,291)</u>	<u>478,754</u>	<u>631,045</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds		126,814	126,814	
Transfers From Other Funds	195,700	195,700	769,806	574,106
Transfers To Other Funds	(393,144)	(393,144)	(777,843)	(384,699)
Total Other Adjustments to Cash (Uses)	<u>(197,444)</u>	<u>(70,630)</u>	<u>118,777</u>	<u>189,407</u>
Net Change in Fund Balance	(230,000)	(222,921)	597,531	820,452
Fund Balance - Beginning	<u>230,000</u>	<u>230,000</u>	<u>197,491</u>	<u>(32,509)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 7,079</u>	<u>\$ 795,022</u>	<u>\$ 787,943</u>

CUMBERLAND 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	\$ 2,734,164	\$ 2,787,924	\$ 2,057,089	\$ (730,835)
Miscellaneous	6,300	6,300	8,531	2,231
Interest	800	7,637	15,932	8,295
Total Receipts	<u>2,741,264</u>	<u>2,801,861</u>	<u>2,081,552</u>	<u>(720,309)</u>
DISBURSEMENTS				
General Government	16,400	17,400	15,955	1,445
Protection to Persons and Property	670	670		670
Transportation Facilities and Services	11,800	11,800	8,079	3,721
Roads	1,938,365	1,938,365	1,636,472	301,893
Debt Service	170,531	672,579	442,682	229,897
Capital Projects	7,000	7,000	6,284	716
Administration	970,798	1,028,347	274,605	753,742
Total Disbursements	<u>3,115,564</u>	<u>3,676,161</u>	<u>2,384,077</u>	<u>1,292,084</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(374,300)</u>	<u>(874,300)</u>	<u>(302,525)</u>	<u>571,775</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds		500,000	373,186	(126,814)
Transfers From Other Funds			100,000	100,000
Transfers To Other Funds	<u>(195,700)</u>	<u>(195,700)</u>	<u>(306,842)</u>	<u>(111,142)</u>
Total Other Adjustments to Cash (Uses)	<u>(195,700)</u>	<u>304,300</u>	<u>166,344</u>	<u>(137,956)</u>
Net Change in Fund Balance	(570,000)	(570,000)	(136,181)	433,819
Fund Balance - Beginning (Restated)	<u>570,000</u>	<u>570,000</u>	<u>409,544</u>	<u>(160,456)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 273,363</u>	<u>\$ 273,363</u>

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

JAIL FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 88,480	\$ 88,480	\$ 85,651	\$ (2,829)
Miscellaneous			1,010	1,010
Interest	20	20	626	606
Total Receipts	88,500	88,500	87,287	(1,213)
DISBURSEMENTS				
Protection to Persons and Property	439,600	467,330	450,367	16,963
Administration	47,044	40,034	37,431	2,603
Total Disbursements	486,644	507,364	487,798	19,566
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(398,144)	(418,864)	(400,511)	18,353
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	393,144	393,144	420,800	27,656
Total Other Adjustments to Cash (Uses)	393,144	393,144	420,800	27,656
Net Change in Fund Balance	(5,000)	(25,720)	20,289	46,009
Fund Balance - Beginning	5,000	5,000	2,273	(2,727)
Fund Balance - Ending	\$ 0	\$ (20,720)	\$ 22,562	\$ 43,282

CUMBERLAND 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	\$ 37,500	\$ 37,500	\$ 35,150	\$ (2,350)
Interest	18	18	400	382
Total Receipts	37,518	37,518	35,550	(1,968)
DISBURSEMENTS				
General Government	18,162	17,523	17,251	272
Protection to Persons and Property	10,000	2,455	839	1,616
Social Services	500	500		500
Administration	21,256	15,799	13,659	2,140
Total Disbursements	49,918	36,277	31,749	4,528
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(12,400)	1,241	3,801	2,560
Net Change in Fund Balance	(12,400)	1,241	3,801	2,560
Fund Balance - Beginning	12,400	12,400	9,488	(2,912)
Fund Balance - Ending	\$ 0	\$ 13,641	\$ 13,289	\$ (352)

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

FEDERAL GRANTS FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 565,734	\$ 817,217	\$ 93,135	\$ (724,082)
Total Receipts	565,734	817,217	93,135	(724,082)
DISBURSEMENTS				
General Government	561,734	561,734	303,043	258,691
Protection to Persons and Property		251,483	85,134	166,349
General Health and Sanitation	4,000	4,000	4,000	
Total Disbursements	565,734	817,217	392,177	425,040
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			(299,042)	(299,042)
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			368,185	368,185
Total Other Adjustments to Cash (Uses)			368,185	368,185
Net Change in Fund Balance			69,143	69,143
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 69,143	\$ 69,143

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

SPECIAL FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 240,000	\$ 240,000	\$ 223,348	\$ (16,652)
Total Receipts	240,000	240,000	223,348	(16,652)
DISBURSEMENTS				
Protection to Persons and Property	240,000	240,000	224,310	15,690
Total Disbursements	240,000	240,000	224,310	15,690
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			(962)	(962)
Net Change in Fund Balance			(962)	(962)
Fund Balance - Beginning			11,366	11,366
Fund Balance - Ending	\$ 0	\$ 0	\$ 10,404	\$ 10,404

CUMBERLAND 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	\$ 12,200	\$ 12,200	\$ 16,358	\$ 4,158
Interest	4	4	677	673
Total Receipts	12,204	12,204	17,035	4,831
DISBURSEMENTS				
General Government	12,204	12,204		12,204
Total Disbursements	12,204	12,204		12,204
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			17,035	17,035
Net Change in Fund Balance			17,035	17,035
Fund Balance - Beginning			11,752	11,752
Fund Balance - Ending	\$ 0	\$ 0	\$ 28,787	\$ 28,787

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

HEALTH SERVICES FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 400,000	\$ 400,000	\$ 393,791	\$ (6,209)
Interest	1,605	1,605	2,038	433
Total Receipts	401,605	401,605	395,829	(5,776)
DISBURSEMENTS				
Debt Service	401,605	401,605	393,263	8,342
Total Disbursements	401,605	401,605	393,263	8,342
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			2,566	2,566
Net Change in Fund Balance			2,566	2,566
Fund Balance - Beginning			648,979	648,979
Fund Balance - Ending	\$ 0	\$ 0	\$ 651,545	\$ 651,545

CUMBERLAND 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	\$ 5,000	\$ 5,000	\$ 5,000	\$
Total Receipts	5,000	5,000	5,000	
DISBURSEMENTS				
General Government	5,000	5,000	5,000	
Total Disbursements	5,000	5,000	5,000	
Net Change in Fund Balance				
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 0	\$ 0

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

ALCOHOL BEVERAGE CONTROL FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 80,000	\$ 80,000	\$ 76,004	\$ (3,996)
Interest	170	170	2,770	2,600
Total Receipts	80,170	80,170	78,774	(1,396)
DISBURSEMENTS				
General Government	88,295	102,917	86,245	16,672
Administration	31,875	17,253	1,199	16,054
Total Disbursements	120,170	120,170	87,444	32,726
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(40,000)	(40,000)	(8,670)	31,330
Net Change in Fund Balance	(40,000)	(40,000)	(8,670)	31,330
Fund Balance - Beginning	40,000	40,000	79,807	39,807
Fund Balance - Ending	\$ 0	\$ 0	\$ 71,137	\$ 71,137

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

AMERICAN RESCUE PLAN ACT FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 50,000	\$ 50,000	\$ 50,000	\$
Interest	542	542	23,654	23,112
Total Receipts	50,542	50,542	73,654	23,112
DISBURSEMENTS				
General Government	1,145,152	1,145,152	5,654	1,139,498
Total Disbursements	1,145,152	1,145,152	5,654	1,139,498
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,094,610)	(1,094,610)	68,000	1,162,610
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(574,106)	(574,106)
Total Other Adjustments to Cash (Uses)			(574,106)	(574,106)
Net Change in Fund Balance	(1,094,610)	(1,094,610)	(506,106)	588,504
Fund Balance - Beginning	1,094,610	1,094,610	994,747	(99,863)
Fund Balance - Ending	\$ 0	\$ 0	\$ 488,641	\$ 488,641

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

OPIOID SETTLEMENT FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Miscellaneous	\$ 18,572	\$ 18,572	\$ 89,222	\$ 70,650
Interest			4,083	4,083
Total Receipts	18,572	18,572	93,305	74,733
DISBURSEMENTS				
General Government	100	100	50	50
Administration	104,172	104,172		104,172
Total Disbursements	104,272	104,272	50	104,222
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(85,700)	(85,700)	93,255	178,955
Net Change in Fund Balance	(85,700)	(85,700)	93,255	178,955
Fund Balance - Beginning	85,700	85,700	85,809	109
Fund Balance - Ending	\$ 0	\$ 0	\$ 179,064	\$ 179,064

CUMBERLAND 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.

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CUMBERLAND COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2024

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CUMBERLAND COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity's Identifying Number	Provided to Subrecipient	Total Federal Expenditures
<u>U. S. Department of Homeland Security</u>				
<i>Passed-Through Kentucky Department of Military Affairs</i>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	459DRKYP0000001	\$	\$ 885,516
Hazard Mitigation Grant	97.039	4239DRKYP000005		227,282
Emergency Management Performance Grant	97.042	EMA-2023-EP-00004-S01		34,350
Total U.S. Department of Homeland Security			<u>\$ 0</u>	<u>1,147,148</u>
<u>U. S. Department of Treasury</u>				
<i>Direct Programs</i>				
COVID 19 - Coronavirus State and Local Fiscal Recovery Fund	21.027		\$	\$ 479,760
Local Assistance and Tribal Consistency Fund (LATCF)	21.032			100,000
Total U.S. Department of Treasury			<u>\$ 0</u>	<u>579,760</u>
<u>U. S. Department of Housing and Urban Development (HUD)</u>				
<i>Passed-Through Kentucky Department for Local Government</i>				
Community Development Block Grants/State's Program	14.228	17-056	\$	\$ 5,000
Total U.S. Department of f Housing and Urban Development (HUD)			<u>\$ 0</u>	<u>5,000</u>
<u>U. S. Department of Justice</u>				
<i>Direct Program</i>				
Public Safety Partnership and Community Policing Grants	16.710	15JCOPS-23-GG-04655-UHPX	\$	\$ 27,273
Total U.S. Department of Justice			<u>\$ 0</u>	<u>27,273</u>
Total Expenditures of Federal Awards			<u>\$ 0</u>	<u>\$ 1,759,181</u>

The accompanying notes are an integral part of this schedule.

CUMBERLAND 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 Cumberland 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 Cumberland County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Cumberland 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

Cumberland 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.

CUMBERLAND COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2024

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CUMBERLAND 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:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 791,751	\$	\$	\$ 791,751
Buildings and Building Improvements	5,937,279			5,937,279
Vehicles	817,786		28,000	789,786
Other Equipment	1,628,236			1,628,236
Infrastructure	8,614,246	761,293		9,375,539
 Total Capital Assets	 \$ 17,789,298	 \$ 761,293	 \$ 28,000	 \$ 18,522,591

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

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 10,000	20-25
Buildings and Building Improvements	\$ 25,000	10-60
Machinery and Equipment	\$ 5,000	5-20
Vehicles	\$ 5,000	5-20
Infrastructure	\$ 20,000	20-40

**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 Luke King, Cumberland County Judge/Executive
Members of the Cumberland 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 Cumberland County Fiscal Court for the fiscal year ended June 30, 2024, and the related notes to the financial statement which collectively comprise the Cumberland County Fiscal Court's financial statement and have issued our report thereon dated April 16, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Cumberland 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 Cumberland County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cumberland 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 deficiency in internal control that we consider to be a material weakness 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 item 2024-002 to be a material weakness.



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 2024-001 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cumberland County Fiscal Court's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 Official and Planned Corrective Action

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

Purpose of this Report

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

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

April 16, 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 Luke King, Cumberland County Judge/Executive
Members of the Cumberland County Fiscal Court

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Cumberland 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 Cumberland County Fiscal Court's major federal programs for the year ended June 30, 2024. The Cumberland 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 Cumberland 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 Cumberland 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 Cumberland 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 Cumberland 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 Cumberland 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 Cumberland 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 Cumberland 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 Cumberland 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 Cumberland 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. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2024-003 to be a material weakness.

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 Cumberland County's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Cumberland 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

April 16, 2025

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CUMBERLAND COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2024

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**CUMBERLAND 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?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
• Are any significant deficiencies identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None Reported
Are any noncompliances material to financial statements noted?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Federal Awards

Internal control over major programs:		
• Are any material weaknesses identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
• Are any significant deficiencies identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> 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)?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Identification of major programs:

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

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

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

Section II: Financial Statement Findings

2024-001 The Cumberland County Fiscal Court's Schedule Of Expenditures Of Federal Awards Was Not Accurate

The Cumberland County Fiscal Court's Schedule of Expenditures of Federal Awards (SEFA) was not accurate or complete. The SEFA was understated by \$151,943. This is primarily due to the Disaster Grant – Public Assistance Program (FEMA) including the incorrect federal share amount of 75% expenditures instead of the 90% and erroneously including disbursements or force account labor and equipment that were not part of a FEMA project worksheet cost causing an adjustment of \$144,728. Furthermore, actual grant disbursements were not included correctly for a Community Oriented Policing Services (COPS) grant requiring an adjustment of \$7,215. The SEFA also did not include all assistance listing numbers or the correct assistance listing numbers for four grants.

Based on conversations with county personnel, there was confusion when determining what were federal funds and what were not in connection with the Disaster Grant – Public Assistance Program. The county relied on a third-party company and consultants to administer the grant with a contract entered into by the former county judge/executive's administration. This heavy reliance on the third-party company resulted in the fiscal court not gaining an adequate understanding of what expenditures were considered federal awards. Furthermore, the county failed to put in place adequate controls, to include reviewing all grant agreements and requesting necessary documentation, to ensure the SEFA's accuracy or completeness. As a result of the errors made and lack of effective operating controls, the original schedule of federal expenditures was inaccurately reported. Also, the fiscal court is not in compliance with 2 CFR 200.510(b).

Strong internal controls over financial reporting are vital in ensuring that federal awards expended are accounted for and reported properly. Strong internal controls are also important in safeguarding the county's assets and those given the responsibility of accounting for them, as well as helping make certain the county complies with all requirements and guidance. Additionally, 2 CFR 200.510(b) states, "[t]he auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended."

We recommend the Cumberland County Fiscal Court implement or strengthen controls over federal award expenditures reporting to ensure amounts reported represent actual federal expenditures during the year.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: FEMA reimburses counties for approved work after a disaster, but FEMA does not reimburse for 100% of the cost incurred. It is common for FEMA to reimburse 75% of the approved cost of said projects. However, the President may direct FEMA to reimburse more if such an action is deemed appropriate. That's the source of this finding. When preparing the SEFA, the county treasurer used 75% in her calculation, as that has been commonplace. Given how much money was dispersed in this fiscal year on rail and cribbing projects, that caused a large difference in our numbers because the actual reimbursable amount for that particular disaster was 90%. That's great news for the county, but caused confusion on the calculations. Once this issue was brought to the treasurer's attention, it was immediately corrected and we now have a system in place to get official documentation from KY Emergency Management that shows the reimbursement rate on any and all disasters when completing future SEFAs.

The COPS grant needed to be adjusted by \$7,215 because the initial report for the grant included an incorrect number of employees for the reimbursement calculation. That number was corrected on a later report, but not appropriately reflected on the SEFA. This was the first year we received this specific grant funding and the first year we've submitted these reports through the DOJ portal so it was a learning curve. The auditors clarified best practice for this new grant and the treasurer has made note for calculations next year.

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

Section II: Financial Statement Findings (Continued)

2024-002 The Cumberland County Fiscal Court Did Not Properly Record All Debt On The Fourth Quarter Financial Report

This is a repeat finding and was included in the prior year audit report as finding 2023-002. The Cumberland County Fiscal Court entered into a new general obligation lease agreement on October 27, 2023, for \$500,000 for the purpose of refinancing a FEMA project debt obligation. The new financing obligation proceeds were not correctly recorded to the fourth quarter report as other financing sources (uses) and debt service.

The fiscal court was aware they needed to record the refinancing proceeds to the fourth quarter financial statement and amended the budget line items; accordingly, however, the proceeds were not recorded correctly in error. The debt service payment to pay off the previous loan was not recorded to the disbursements ledger. The financing proceeds were recorded based on amounts received from the Kentucky Association of Counties Leasing Trust (KACoLT) on the requests for disbursements from the acquisition fund held by KACoLT.

Since the fiscal court did not properly record all debt related transactions, the fourth quarter financial report was misstated by \$258,886 for receipts and disbursements. The county treasurer did prepare a budget amendment to account for the \$500,000 refinancing and ensure the account was not over budget.

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* states, “[a]ll borrowed money received and repaid must be reflected in the county budget.” In addition, it states “[a]ny borrowed money that is not reflected in the original budget estimate must be amended into the budget and be properly reflected on the financial report as a receipt as well as an ‘expenditure’ for repayment of borrowed funds.”

We recommend the fiscal court ensure all debt is properly reported on the receipts and disbursements of the quarterly financial reports.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive’s Response: The fiscal court contracts with a company for help with payroll data processing and organizing financial reports. The county treasurer and finance officer still must run those reports and input the information, but the software that the court purchased executes those reports and commands. For some reason that has yet to be explained, this software system incorrectly computed totals on the fourth quarter financial report and the statement of liabilities. The county treasurer reports that this has never happened in over two decades of working for the court and the software company, when contacted by the treasurer, indicated that they were not able to understand why the error occurred. The county treasurer reported the communication to the state auditor’s office after the issue was brought to her attention. The judge executive requested that the treasurer obtain something from the software company in writing to prove to the auditors that the error was a software glitch, but the company was unable to provide the letter by the time this audit response was drafted. The county treasurer understands that the software system is a valuable tool, but even expensive and helpful software tools need to be double-checked regularly. We now have a system in place to do just that in case this or a similar problem occurs another 20 years from now.

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

Section III: Federal Award Findings And Questioned Costs

2024-003 The Cumberland County Fiscal Court Failed To Implement Adequate Controls Over Federal Expenditures

Federal Program: Assistance Listing # 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disaster)

Award Number and Year: FEMA 4595 - 2024

Name of Federal Agency and Pass-Thru Agency : US Department of Homeland Security, Passed Through Kentucky Department of Emergency Management

Compliance Requirements: Activities Allowed & Allowable Costs, Matching, Level of Effort, Earmarking, Period of Performance, Special Tests and Provisions

Type of Finding: Material Weakness

Amount of Questioned Costs: None noted

COVID Related: No

The Cumberland County Fiscal Court failed to implement adequate internal controls over the Disaster Grants – Public Assistance (Presidentially Declared Disaster) (FEMA) program to ensure all compliance requirements were being met and that record keeping was being done correctly.

The fiscal court relied on a third-party administrator for the recording of all FEMA project activity. The fiscal court also relied on the third-party to satisfy compliance requirements and failed to establish any review process or independent internal controls that verified the activities performed and amounts charged to the program were allowable under all applicable compliance requirements.

By relying on a third-party administrator's controls, without enacting any internal controls, the county increased the risk of misappropriation of funds and noncompliance with federal grant guidelines. This deficiency could have potentially led to the repayment of questioned costs and less federal funding in the future. This deficiency also resulted caused a misstatement in the county's Schedule of Federal Awards and Expenditures (SEFA) (see finding 2024-001) and a duplication of benefits. The county realized they had applied for assistance from FEMA and also from the Kentucky Transportation Cabinet for the same projects. The county judge/executive notified the state of the county's mistake, and the county repaid the Kentucky Transportation Cabinet \$100,000 on May 14, 2024.

Strong internal controls dictate that the fiscal court should review all federal expenditure documentation and reports to ensure compliance requirements are being met, and activities are being completed accurately. 2 CFR 200.303 states, "[t]he 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 follow 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)."

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

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

2024-003 The Cumberland County Fiscal Court Failed To Implement Adequate Controls Over Federal Expenditures (Continued)

We recommend the Cumberland County Fiscal Court strengthen internal controls over the federal expenditure process by ensuring all activity related to federal expenditures is reviewed for accuracy and compliance.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: We understand the auditor's need to keep this write up on this year's audit report. This is the same write up from the year prior because KYEM and FEMA have not yet finished their review of the issues facing Cumberland County with respect to disaster funding and record keeping. We are not only pleased to have made progress on this front, but also extremely appreciative for the guidance and feedback from those reporting agencies. KYEM and FEMA document tracking and reporting is now handled entirely inhouse. Members of the Cumberland County Management Team have responded timely and in full to requests for information and we will continue to do so. The lack of certain systems and processes from years past is no longer a concern of the current administration. It is true that work is still needed to organize and understand some of the work from the last several years, but the Management Team believes that the new process will eliminate most of if not all confusion moving forward on any future disasters.

Section IV: Summary Schedule of Prior Audit Findings

Not applicable.

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

CUMBERLAND COUNTY FISCAL COURT

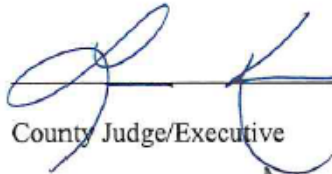
For The Year Ended June 30, 2024

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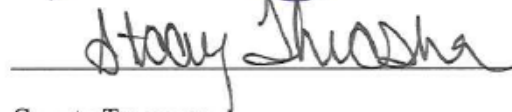
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
CUMBERLAND COUNTY FISCAL COURT

For The Year Ended June 30, 2024

The Cumberland County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



County Judge/Executive



County Treasurer