

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

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



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

Independent Auditor's Report

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Donnie Watson, Estill County Judge/Executive
Members of the Estill 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 Estill County Fiscal Court, for the year ended June 30, 2024, and the related notes to the financial statement, which collectively comprise the Estill 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 Estill 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 Estill 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 Estill 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 Donnie Watson, Estill County Judge/Executive
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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Estill 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 Estill 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 Estill County Fiscal Court's internal control. Accordingly, no such opinion is expressed.

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Members of the Estill County Fiscal Court

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

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

Other Information

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

To the People of Kentucky
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2025, on our consideration of the Estill 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 Estill 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 Estill County Fiscal Court Did Not Have Adequate Controls Over Disbursements
- 2024-002 The Estill County Fiscal Court Failed To Implement Adequate Internal Controls Over Federal Programs

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

September 22, 2025

ESTILL COUNTY OFFICIALS

For The Year Ended June 30, 2024

Fiscal Court Members:

Donnie Watson	County Judge/Executive
Mike Abney	Magistrate
Paul Tipton	Magistrate
Gerry Flannery	Magistrate

Other Elected Officials:

Jason Riley	County Attorney
Beverly "Bo" Morris	Jailer
Brian Crowe (resigned 3/31/2024)	Former County Clerk
Kimberly Charles (appointed 4/1/2024)	County Clerk
Stephanie Brinegar-Cassidy	Circuit Court Clerk
Chris Flynn	Sheriff
Jeff Hix	Property Valuation Administrator
Jimmy Wise	Coroner

Appointed Personnel:

Freida Lancaster	County Treasurer
Teresa McKinley	Finance Officer

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

For The Year Ended June 30, 2024

ESTILL 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	\$ 3,303,416	\$ 9,963	\$	\$
In Lieu Tax Payments	14,351			
Excess Fees	72,379			
Licenses and Permits	26,772			
Intergovernmental	282,136	1,308,020	105,285	4,020
Charges for Services	407,889			
Miscellaneous	590,562	2,503		1,213
Interest			108	3
Total Receipts	<u>4,697,505</u>	<u>1,320,486</u>	<u>105,393</u>	<u>5,236</u>
DISBURSEMENTS				
General Government	1,153,118			
Protection to Persons and Property	557,898		832,020	12,489
General Health and Sanitation	136,018			
Social Services	143,799			
Recreation and Culture	17,327			
Roads		707,712		
Debt Service	191,928			
Capital Projects	40	210,885		
Administration	981,462	295,950	110,173	
Total Disbursements	<u>3,181,590</u>	<u>1,214,547</u>	<u>942,193</u>	<u>12,489</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,515,915</u>	<u>105,939</u>	<u>(836,800)</u>	<u>(7,253)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	544,451		837,541	
Transfers To Other Funds	(1,176,083)			(1,212)
Total Other Adjustments to Cash (Uses)	<u>(631,632)</u>		<u>837,541</u>	<u>(1,212)</u>
Net Change in Fund Balance	884,283	105,939	741	(8,465)
Fund Balance - Beginning	1,305,184	669,588	10,961	9,074
Fund Balance - Ending	<u>\$ 2,189,467</u>	<u>\$ 775,527</u>	<u>\$ 11,702</u>	<u>\$ 609</u>
Composition of Fund Balance				
Bank Balance	\$ 2,198,300	\$ 776,270	\$ 12,441	\$ 599
Plus: Deposits In Transit	20,545		818	10
Less: Outstanding Checks	(29,378)	(743)	(1,557)	
Fund Balance - Ending	<u>\$ 2,189,467</u>	<u>\$ 775,527</u>	<u>\$ 11,702</u>	<u>\$ 609</u>

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

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

Budgeted Funds					
State Grants Fund	Federal Grants Fund	Emergency Service Communications Tower Fund	Chemical Stockpile Emergency Preparedness Program (CSEPP) Fund	CMRS 911 Fund	Emergency Management Fund
\$	\$	\$	\$	\$	\$
30,456	526,028	6,659	4,336,719	11,675	11,896
6,659				170,090	
<u>30,456</u>	<u>526,028</u>	<u>6,659</u>	<u>4,336,719</u>	<u>181,765</u>	<u>11,896</u>
25,865		9,226	3,777,268		
	526,028				
<u>25,865</u>	<u>526,028</u>	<u>41,347</u>	<u>32,121</u>	<u>273,606</u>	
4,591		(34,688)	285,845	181,765	11,896
1,212			338,542		
<u>1,212</u>			<u>(338,542)</u>	<u>(194,013)</u>	<u>(11,896)</u>
5,803		(34,688)	285,845	(12,248)	
153,723	10	112,156	37,377	38,206	1,289
<u>\$ 159,526</u>	<u>\$ 10</u>	<u>\$ 77,468</u>	<u>\$ 323,222</u>	<u>\$ 25,958</u>	<u>\$ 1,289</u>
\$ 162,012	\$ 10	\$ 85,035	\$ 644,474	\$ 25,958	\$ 1,289
<u>(2,486)</u>		<u>(7,567)</u>	<u>(321,252)</u>		
<u>\$ 159,526</u>	<u>\$ 10</u>	<u>\$ 77,468</u>	<u>\$ 323,222</u>	<u>\$ 25,958</u>	<u>\$ 1,289</u>

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

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

	Budgeted Funds		Unbudgeted Fund		Total Funds
	American Rescue Fund	Opioid Settlement Fund	Plan Act (ARPA) Fund	County Clerk Storage Fee Fund	
RECEIPTS					
Taxes	\$		\$		\$ 3,303,416
In Lieu Tax Payments					24,314
Excess Fees					72,379
Licenses and Permits					26,772
Intergovernmental		50,000		39,291	6,705,526
Charges for Services					584,638
Miscellaneous	194,474			3,440	792,192
Interest	352		2,451		2,914
Total Receipts	<u>194,826</u>	<u>52,451</u>	<u>42,731</u>	<u>42,731</u>	<u>11,512,151</u>
DISBURSEMENTS					
General Government					1,153,118
Protection to Persons and Property			58,374		5,247,275
General Health and Sanitation			79		161,962
Social Services					143,799
Recreation and Culture					543,355
Roads		123,366			831,078
Debt Service					191,928
Capital Projects					210,925
Administration					1,693,312
Total Disbursements	<u>181,819</u>	<u>181,819</u>	<u>42,731</u>	<u>42,731</u>	<u>10,176,752</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>194,826</u>	<u>(129,368)</u>	<u>42,731</u>	<u>42,731</u>	<u>1,335,399</u>
Other Adjustments to Cash (Uses)					
Transfers From Other Funds					1,721,746
Transfers To Other Funds					(1,721,746)
Total Other Adjustments to Cash (Uses)	<u>194,826</u>	<u>(129,368)</u>	<u>42,731</u>	<u>42,731</u>	<u>1,335,399</u>
Net Change in Fund Balance	<u>194,826</u>	<u>(129,368)</u>	<u>42,731</u>	<u>42,731</u>	<u>1,335,399</u>
Fund Balance - Beginning	<u>187,145</u>	<u>1,673,729</u>	<u>42,731</u>	<u>42,731</u>	<u>4,198,442</u>
Fund Balance - Ending	<u>\$ 381,971</u>	<u>\$ 1,544,361</u>	<u>\$ 42,731</u>	<u>\$ 42,731</u>	<u>\$ 5,533,841</u>
Composition of Fund Balance					
Bank Balance	\$ 381,971	\$ 1,544,361	\$ 42,731	\$ 42,731	\$ 5,875,451
Plus: Deposits In Transit					21,373
Less: Outstanding Checks					(362,983)
Fund Balance - Ending	<u>\$ 381,971</u>	<u>\$ 1,544,361</u>	<u>\$ 42,731</u>	<u>\$ 42,731</u>	<u>\$ 5,533,841</u>

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

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TO THE FINANCIAL STATEMENT**

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**ESTILL COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2024

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Basis of Accounting

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

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

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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

State Grants Fund - The primary purpose of this fund is to account for state grants. The primary source of revenue for this fund is state grants.

Federal Grants Fund - The primary purpose of this fund is to account for federal grants. The primary source of revenue for this fund is federal grants.

Emergency Service Communications Tower Fund - The primary purpose of this fund is to account for surcharges received from the emergency management communication tower. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

Chemical Stockpile Emergency Preparedness Program (CSEPP) Fund - The primary purpose of this fund is to account for federal CSEPP grant monies, which is the only source of revenue for this fund. Estill County is part of a ten-county region in Kentucky that receives federal grant monies to improve their capacity to plan for and respond to accidents associated with the Bluegrass Army Depot's chemical warfare materials located in neighboring Madison County. CSEPP funds may not be commingled with other funds, therefore the Department for Local Government and the federal government require the fiscal court to maintain these receipts and disbursements separately from the General Fund.

CMRS 911 Fund - The primary purpose of this fund is to account for the surcharge taxes for Commercial Mobile Radio Systems (CMRS). The state distributes CMRS monies to counties to supplement 911 operations. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

Emergency Management Fund - The primary purpose of this fund is to account for emergency management grant money, which is the only source of revenue for this fund.

Opioid Settlement Fund - The primary purpose of this fund is to account for distributions of a class action lawsuit settlement related to the opioid epidemic, which is the only source of revenue for this fund.

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

Unbudgeted Fund

The fiscal court reports the following unbudgeted fund:

County Clerk Storage Fee Fund - The primary purpose of this fund is to account for activity related to storage fees. The primary sources of receipts for this fund are storage fees collected by the county clerk.

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

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information

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

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

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

The County Clerk Storage Fee Fund is normally a budgeted fund but since there was no expenditure activity the county did not budget it.

E. Estill County Elected Officials

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

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

F. Deposits and Investments

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

G. Long-term Obligations

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

Note 2. Deposits and Investments

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of the DLG's *County Budget Preparation and State Local Finance Officer Policy Manual*. As of June 30, 2024, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. However, as of June 30, 2024, public funds were exposed to custodial credit risk because the bank did not adequately collateralize the fiscal court's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured \$692,848

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2024.

	General Fund	LGEA Fund	CSEPP Fund	Emergency Management Fund	CMRS Special - 911 Fund	Total Transfers In
General Fund	\$ 837,541		\$ 338,542	\$ 11,896	\$ 194,013	\$ 544,451
Jail Fund						837,541
State Grants Fund		1,212				1,212
CSEPP Fund	338,542					338,542
Total Transfers Out	\$ 1,176,083	\$ 1,212	\$ 338,542	\$ 11,896	\$ 194,013	\$ 1,721,746

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.

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

Note 4. Leases

A. Lessor

1. Jackson Energy Cooperative – Tower Space, Building Space, and Backup Generator Power

On December 20, 2010, the Estill County Fiscal Court began leasing tower space, building space, and a backup generator power situated in Estill County, KY, off of Happy Top Road to the Jackson Energy Cooperative. The lease is for five years allowing for an automatic renewal of four additional five-year lease periods. The Estill County Fiscal Court will receive an annual payment of \$6,000. The Estill County Fiscal Court did not recognize lease revenue during the current fiscal year related to this lease. As of June 30, 2024, the Estill County Fiscal Court's receivable for lease payments was \$36,000.

2. East Kentucky Network LLC – Tower Space

On March 16, 2015, the Estill County Fiscal Court began leasing tower space to the East Kentucky Network. The lease is for five years allowing for an automatic renewal of four additional five-year lease periods. The lease requires monthly payments to the Estill County Fiscal Court in the amount of \$430 to be increased 5% with each 5-year renewal. The Estill County Fiscal Court recognized \$5,160 in lease revenue during fiscal year 2024. As of June 30, 2024, the Estill County Fiscal Court's receivable for this lease was \$3,440.

3. Kentucky Utilities – Tower Space

On May 28, 2020, the Estill County Fiscal Court began leasing tower space to Kentucky Utilities. The lease requires an annual payment of \$1,500 to be made to the Estill County Fiscal Court. The lease is for five years renewable every five years thereafter. The Estill County Fiscal Court recognized \$1,500 in lease revenue during fiscal year 2024. As of June 30, 2024, the Estill County Fiscal Court's receivable for this lease was \$0.

B. Lessee

1. County Park – Land

On October 12, 2021, the Estill County Fiscal Court began leasing land for a county park. The lease was for five years and the Estill County Fiscal Court will pay \$2,000 per year for the first two years, then \$1,000 per year for the next three years totaling \$7,000 over the life of the lease. The lease may also be paid in one lump sum of \$7,000. A lump sum payment of \$7,000 was made in fiscal year 2022. As of June 30, 2024, the Estill County Fiscal Court's payable balance on this lease was \$0.

2. Vehicle

On April 26, 2023, the Estill County Fiscal Court entered into a lease agreement with a car dealership for the lease of an SUV to be used for CSEPP. The lease was for 36 months, requiring monthly payments of \$1,270. At the beginning of the lease term Estill County Fiscal Court paid an additional \$441 for the residual value of the vehicle at the end of the lease. Estill County Fiscal Court paid \$15,243 during fiscal year 2024. As of June 30, 2024, the value of the lease liability was \$15,243.

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

Note 4. Leases (Continued)

B. Lessee (Continued)

2. Vehicle (Continued)

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

Fiscal Year Ended	
June 30	Amount
2025	<u>\$ 15,243</u>
Total Minimum Lease Payments	<u>\$ 15,243</u>

Note 5. Short-term Debt – Line of Credit

On June 7, 2021, the Estill County Fiscal Court entered into a line of credit agreement not to exceed \$1,001,100. The purpose of this line of credit is to provide funding for chemical Stockpile Emergency Preparedness Program (CSEPP) funded projects and subsequently seek financial reimbursement from the Kentucky Division of Emergency Management (KyEM). The financial reimbursements received by the Estill County Fiscal Court from KyEM through CSEPP are used to pay off the line of credit. The operating line of credit by Citizens Guaranty Bank is for one year and the interest rate for this period was 6.34 percent. In addition to the interest rate, there was a minimal origination fee. The line of credit was renewable on an annual basis and was renewed for fiscal year 2024. During fiscal year 2024, the Estill County Fiscal Court did not draw on this line of credit. As of June 30, 2024, this line of credit had no outstanding balance.

Note 6. Long-term Debt

A. Direct Borrowings and Direct Placements

On July 5, 2018, the Estill County Fiscal Court entered into a \$1,410,000 lease agreement with the Kentucky Association of Counties. The purpose of this lease was to retire a portion of the county's outstanding debt and requires monthly principal and interest payments, with the final payment due on February 1, 2028. The obligation of the lessee created by the lease shall be a full general obligation of the lessee and, for the prompt payment of the lease rental payments, the full faith, credit, and revenue of the lessee are pledged. In case of default, the lessor may, without any further demand or notice, take one or any combination of the following remedial steps: enforce the pledge set forth so that during the remaining lease term there is levied on all the taxable property in the lessee, in addition to all other taxes, without limitation as to the rate or amount, a direct tax annually in an amount sufficient to pay the lease rental payments when and as due; take legal title to, and sell or re-lease the project or any portion thereof; or take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the project under this lease and/or take whatever action at law or in equity may appear necessary or desirable to enforce performance by the lessee of the applicable covenants and agreements under this lease and to recover damages for the breach thereof. As of June 30, 2024, the principal outstanding was \$605,000. Future principal and interest payments are as follows:

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

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

Fiscal Year Ending June 30	Principal	Scheduled Interest
2025	\$ 162,500	\$ 28,790
2026	170,000	20,259
2027	180,000	11,363
2028	92,500	3,370
Totals	\$ 605,000	\$ 63,782

B. Changes In Long-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 760,000	\$ _____	\$ 155,000	\$ 605,000	\$ 162,500
Total Long-term Debt	<u>\$ 760,000</u>	<u>\$ 0</u>	<u>\$ 155,000</u>	<u>\$ 605,000</u>	<u>\$ 162,500</u>

C. 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	Direct Borrowings and Direct Placements	
	Principal	Interest
2025	\$ 162,500	\$ 28,790
2026	170,000	20,259
2027	180,000	11,363
2028	92,500	3,370
Totals	\$ 605,000	\$ 63,782

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

Note 7. Employee Retirement System

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS). This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Effective April 1, 2021, the Kentucky Public Pension Authority (KPPA) was created by KRS 61.505 to provide staffing and daily administrative needs for CERS and Kentucky Retirement Systems (Ky. Ret. Sys.) The CERS nine member board of trustees is responsible for the governance of the CERS pension and insurance plans.

The county's contribution for FY 2022 was \$523,659, FY 2023 was \$518,591, and FY 2024 was \$461,099.

Nonhazardous

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

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

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

The county's contribution rate for nonhazardous employees was 23.34%.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

Note 7. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (Continued)

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.

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.

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

Note 7. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

E. Death Benefit

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

F. Annual Financial Report and Proportionate Share Audit Report

KPPA issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Public Pensions Authority, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646. Some reports are also available online at <https://kyret.ky.gov>.

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

Note 8. Deferred Compensation

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

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

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

Note 9. Health Reimbursement Account

The Estill County Fiscal Court has a Health Reimbursement Account (HRA) program for employees to participate in for their health care needs. The plan is administered through the county's health insurance provider. The plan provides \$500 for each eligible employee to offset medical expenses.

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

Note 10. Insurance

For the fiscal year ended June 30, 2024, the Estill 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 11. Conduit Debt

The county, in accordance with 103.210, has issued educational facilities revenue refunding bonds (Berea College), series 2013, to refund the outstanding City of Berea, Kentucky, educational facilities revenue refunding bonds (Berea College Project), series 2003A and to pay costs of issuing the bonds. Although conduit debt obligations bear the Estill County Fiscal Court's name as issuer, the fiscal court has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf it is issued. Neither the fiscal court nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statement.

**ESTILL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis**

For The Year Ended June 30, 2024

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ESTILL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2024

GENERAL FUND					
	Budgeted Amounts		Actual	Variance with	
	Original	Final	Amounts, (Budgetary Basis)	Final Budget	
				Positive (Negative)	
RECEIPTS					
Taxes	\$ 3,055,675	\$ 3,055,675	\$ 3,303,416	\$ 247,741	
In Lieu Tax Payments	9,399	9,399	14,351	4,952	
Excess Fees	62,000	62,000	72,379	10,379	
Licenses and Permits	15,850	15,850	26,772	10,922	
Intergovernmental	171,200	171,200	282,136	110,936	
Charges for Services	270,500	270,500	407,889	137,389	
Miscellaneous	564,256	564,256	590,562	26,306	
Interest	100	100	(100)		
Total Receipts	<u>4,148,980</u>	<u>4,148,980</u>	<u>4,697,505</u>	<u>548,525</u>	
DISBURSEMENTS					
General Government	1,256,387	1,340,170	1,153,118	187,052	
Protection to Persons and Property	660,254	675,754	557,898	117,856	
General Health and Sanitation	143,470	174,620	136,018	38,602	
Social Services	117,655	159,355	143,799	15,556	
Recreation and Culture	70,500	70,500	17,327	53,173	
Debt Service	189,366	191,966	191,928	38	
Capital Projects	54,000	52,000	40	51,960	
Administration	<u>1,390,199</u>	<u>1,217,466</u>	<u>981,462</u>	<u>236,004</u>	
Total Disbursements	<u>3,881,831</u>	<u>3,881,831</u>	<u>3,181,590</u>	<u>700,241</u>	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>267,149</u>	<u>267,149</u>	<u>1,515,915</u>	<u>1,248,766</u>	
Other Adjustments to Cash (Uses)					
Transfers From Other Funds	175,289	175,289	544,451	369,162	
Transfers To Other Funds	(1,292,438)	(1,292,438)	(1,176,083)	116,355	
Total Other Adjustments to Cash (Uses)	<u>(1,117,149)</u>	<u>(1,117,149)</u>	<u>(631,632)</u>	<u>485,517</u>	
Net Change in Fund Balance	(850,000)	(850,000)	884,283	1,734,283	
Fund Balance - Beginning	<u>850,000</u>	<u>850,000</u>	<u>1,305,184</u>	<u>455,184</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,189,467</u>	<u>\$ 2,189,467</u>	

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

ROAD FUND					
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget	
	Original	Final		Positive (Negative)	
RECEIPTS					
In Lieu Tax Payments	\$ 10,124	\$ 10,124	\$ 9,963	\$ (161)	
Intergovernmental	1,793,257	1,793,257	1,308,020	(485,237)	
Miscellaneous	1,000	1,000	2,503	1,503	
Interest	100	100		(100)	
Total Receipts	1,804,481	1,804,481	1,320,486	(483,995)	
DISBURSEMENTS					
Roads	1,486,640	1,608,898	707,712	901,186	
Debt Service	22,000	22,000		22,000	
Capital Projects	80,000	227,400	210,885	16,515	
Administration	715,841	446,183	295,950	150,233	
Total Disbursements	2,304,481	2,304,481	1,214,547	1,089,934	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(500,000)	(500,000)	105,939	605,939	
Net Change in Fund Balance	(500,000)	(500,000)	105,939	605,939	
Fund Balance - Beginning	500,000	500,000	669,588	169,588	
Fund Balance - Ending	\$ 0	\$ 0	\$ 775,527	\$ 775,527	

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

JAIL FUND						
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget		
	Original	Final		Positive (Negative)		
RECEIPTS						
Intergovernmental	\$ 117,100	\$ 117,100	\$ 105,285	\$ (11,815)		
Miscellaneous	1,000	1,000			(1,000)	
Interest	100	100	108			8
Total Receipts	<u>118,200</u>	<u>118,200</u>	<u>105,393</u>			<u>(12,807)</u>
DISBURSEMENTS						
Protection to Persons and Property	1,302,554	1,285,399	832,020		453,379	
Administration	113,084	130,239	110,173		20,066	
Total Disbursements	<u>1,415,638</u>	<u>1,415,638</u>	<u>942,193</u>			<u>473,445</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,297,438)</u>	<u>(1,297,438)</u>	<u>(836,800)</u>			<u>460,638</u>
Other Adjustments to Cash (Uses)						
Transfers From Other Funds	1,292,438	1,292,438	837,541		(454,897)	
Total Other Adjustments to Cash (Uses)	<u>1,292,438</u>	<u>1,292,438</u>	<u>837,541</u>			<u>(454,897)</u>
Net Change in Fund Balance	(5,000)	(5,000)	741		5,741	
Fund Balance - Beginning	5,000	5,000	10,961		5,961	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 11,702</u>			<u>\$ 11,702</u>

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

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget	
	Original	Final		Positive (Negative)	
RECEIPTS					
Intergovernmental	\$ 23,302	\$ 23,302	\$ 4,020	\$ (19,282)	
Miscellaneous	1,000	1,000	1,213	213	
Interest	50	50	3	(47)	
Total Receipts	<u>24,352</u>	<u>24,352</u>	<u>5,236</u>	<u>(19,116)</u>	
DISBURSEMENTS					
General Government	10,000	5,000		5,000	
Protection to Persons and Property	20,984	26,352	12,489	13,863	
Social Services	500	500		500	
Administration	368				
Total Disbursements	<u>31,852</u>	<u>31,852</u>	<u>12,489</u>	<u>19,363</u>	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(7,500)</u>	<u>(7,500)</u>	<u>(7,253)</u>	<u>247</u>	
Other Adjustments to Cash (Uses)					
Transfers To Other Funds			(1,212)	(1,212)	
Total Other Adjustments to Cash (Uses)			<u>(1,212)</u>	<u>(1,212)</u>	
Net Change in Fund Balance	(7,500)	(7,500)	(8,465)	(965)	
Fund Balance - Beginning	<u>7,500</u>	<u>7,500</u>	<u>9,074</u>	<u>1,574</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 609</u>	<u>\$ 609</u>	

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

STATE GRANTS FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 98,000	\$ 98,000	\$ 30,456	\$ (67,544)
Charges for Services	2,500	2,500		(2,500)
Total Receipts	<u>100,500</u>	<u>100,500</u>	<u>30,456</u>	<u>(70,044)</u>
DISBURSEMENTS				
Protection to Persons and Property	11,000	11,000		11,000
General Health and Sanitation	59,500	59,500	25,865	33,635
Recreation and Culture	30,000	30,000		30,000
Administration	<u>140,000</u>	<u>140,000</u>		<u>140,000</u>
Total Disbursements	<u>240,500</u>	<u>240,500</u>	<u>25,865</u>	<u>214,635</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(140,000)</u>	<u>(140,000)</u>	<u>4,591</u>	<u>144,591</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			1,212	1,212
Total Other Adjustments to Cash (Uses)			<u>1,212</u>	<u>1,212</u>
Net Change in Fund Balance	(140,000)	(140,000)	5,803	145,803
Fund Balance - Beginning	<u>140,000</u>	<u>140,000</u>	<u>153,723</u>	<u>13,723</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 159,526</u>	<u>\$ 159,526</u>

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

FEDERAL GRANTS FUND					
			Actual Amounts,	Variance with Final Budget	
	Budgeted Amounts		(Budgetary Basis)	Positive (Negative)	
	Original	Final	Basis)		
RECEIPTS					
Intergovernmental	\$ 911,000	\$ 911,000	\$ 526,028	\$ (384,972)	
Total Receipts	<u>911,000</u>	<u>911,000</u>	<u>526,028</u>	<u>(384,972)</u>	
DISBURSEMENTS					
Recreation and Culture	911,000	911,000	526,028	384,972	
Total Disbursements	<u>911,000</u>	<u>911,000</u>	<u>526,028</u>	<u>384,972</u>	
Net Change in Fund Balance					
Fund Balance - Beginning			10		10
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 10</u>	<u>\$ 10</u>	

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

EMERGENCY SERVICE COMMUNICATIONS TOWER FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Charges for Services	\$ 12,660	\$ 12,660	\$ 6,659	\$ (6,001)
Total Receipts	12,660	12,660	6,659	(6,001)
DISBURSEMENTS				
Protection to Persons and Property		90,539	9,226	81,313
Administration	122,660	32,121	32,121	
Total Disbursements	122,660	122,660	41,347	81,313
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(110,000)	(110,000)	(34,688)	75,312
Net Change in Fund Balance	(110,000)	(110,000)	(34,688)	75,312
Fund Balance - Beginning	110,000	110,000	112,156	2,156
Fund Balance - Ending	\$ 0	\$ 0	\$ 77,468	\$ 77,468

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

**CHEMICAL STOCKPILE EMERGENCY
 PREPAREDNESS PROGRAM (CSEPP) FUND**

	Budgeted Amounts			Actual	Variance with
	Original	Final	(Budgetary Basis)	Amounts,	Final Budget
				(Budgetary Basis)	Positive (Negative)
RECEIPTS					
Intergovernmental	\$ 5,325,078	\$ 5,325,078	\$ 4,336,719	\$ (988,359)	
Miscellaneous	2,000,000	2,000,000			(2,000,000)
Total Receipts	<u>7,325,078</u>	<u>7,325,078</u>	<u>4,336,719</u>		<u>(2,988,359)</u>
DISBURSEMENTS					
Protection to Persons and Property	5,050,025	5,013,725	3,777,268	1,236,457	
Debt Service	2,000,000	2,000,000			2,000,000
Administration	275,053	311,353	273,606	37,747	
Total Disbursements	<u>7,325,078</u>	<u>7,325,078</u>	<u>4,050,874</u>		<u>3,274,204</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			<u>285,845</u>		<u>285,845</u>
Other Adjustments to Cash (Uses)					
Transfers From Other Funds			338,542	338,542	
Transfers To Other Funds			(338,542)		(338,542)
Total Other Adjustments to Cash (Uses)					
Net Change in Fund Balance			285,845	285,845	
Fund Balance - Beginning			<u>37,377</u>		<u>37,377</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 323,222</u>		<u>\$ 323,222</u>

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

CMRS 911 FUND					
			Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)	
	Budgeted Amounts	Original	Final		
RECEIPTS					
Intergovernmental		\$ 159,000	\$ 159,000	\$ 11,675	\$ 11,675
Charges for Services				170,090	11,090
Total Receipts		<u>159,000</u>	<u>159,000</u>	<u>181,765</u>	<u>22,765</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>159,000</u>	<u>159,000</u>	<u>181,765</u>	<u>22,765</u>
Other Adjustments to Cash (Uses)					
Transfers To Other Funds		(159,000)	(159,000)	(194,013)	(35,013)
Total Other Adjustments to Cash (Uses)		<u>(159,000)</u>	<u>(159,000)</u>	<u>(194,013)</u>	<u>(35,013)</u>
Net Change in Fund Balance				(12,248)	(12,248)
Fund Balance - Beginning				38,206	38,206
Fund Balance - Ending		<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 25,958</u>	<u>\$ 25,958</u>

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

EMERGENCY MANAGEMENT FUND

	Budgeted Amounts	Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	
RECEIPTS			
Intergovernmental	\$ 15,000	\$ 15,000	\$ 11,896 \$ (3,104)
Total Receipts	15,000	15,000	11,896 (3,104)
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	15,000	15,000	11,896 (3,104)
Other Adjustments to Cash (Uses)			
Transfers To Other Funds	(16,289)	(16,289)	(11,896) 4,393
Total Other Adjustments to Cash (Uses)	(16,289)	(16,289)	(11,896) 4,393
Net Change in Fund Balance	(1,289)	(1,289)	1,289
Fund Balance - Beginning	1,289	1,289	1,289
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,289 \$ 1,289

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

OPIOID SETTLEMENT FUND					
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget	
	Original	Final		Positive (Negative)	
RECEIPTS					
Miscellaneous	\$ 72,843	\$ 72,843	\$ 194,474	\$ 121,631	
Interest			352	352	
Total Receipts	<u>72,843</u>	<u>72,843</u>	<u>194,826</u>	<u>121,983</u>	
DISBURSEMENTS					
Administration	260,343	260,343			260,343
Total Disbursements	<u>260,343</u>	<u>260,343</u>			<u>260,343</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(187,500)</u>	<u>(187,500)</u>	<u>194,826</u>	<u>382,326</u>	
Net Change in Fund Balance	(187,500)	(187,500)	194,826	382,326	
Fund Balance - Beginning	<u>187,500</u>	<u>187,500</u>	<u>187,145</u>	<u>(355)</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 381,971</u>	<u>\$ 381,971</u>	

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

AMERICAN RESCUE PLAN ACT (ARPA) FUND

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget
				Positive (Negative)
RECEIPTS				
Intergovernmental	\$	\$	\$ 50,000	\$ 50,000
Interest	1,000	1,000	2,451	1,451
Total Receipts	1,000	1,000	52,451	51,451
DISBURSEMENTS				
Protection to Persons and Property		75,000	58,374	16,626
General Health and Sanitation	900,000	915,000	79	914,921
Recreation and Culture	200,000	200,000		200,000
Roads		125,000	123,366	1,634
Administration	563,831	348,831		348,831
Total Disbursements	1,663,831	1,663,831	181,819	1,482,012
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,662,831)	(1,662,831)	(129,368)	1,533,463
Net Change in Fund Balance	(1,662,831)	(1,662,831)	(129,368)	1,533,463
Fund Balance - Beginning	1,662,831	1,662,831	1,673,729	10,898
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,544,361	\$ 1,544,361

**ESTILL 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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**ESTILL COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For The Year Ended June 30, 2024

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ESTILL 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 Treasury</u>				
<i>Direct Program</i>				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	\$ _____	<u>\$ 181,819</u>
Total U.S. Department of Treasury				<u>181,819</u>
<u>U. S. Department of Homeland Security</u>				
<i>Passed-Through Kentucky Department of Military Affairs</i>				
Chemical Stockpile Emergency Preparedness Program	97.040	Unknown	\$ _____	<u>\$ 4,050,874</u>
Total U.S. Department of Homeland Security				<u>4,050,874</u>
<u>U. S. Department of Housing and Urban Development</u>				
<i>Passed-Through Kentucky Department for Local Government</i>				
Community Development Block Grant/State's Program	14.228	18.025	\$ 526,028	<u>\$ 526,028</u>
Total U.S. Department of Housing and Urban Development				<u>526,028</u>
<u>U. S. Department of Health and Human Services</u>				
<i>Passed-Through Kentucky Department for Aging and Independent Living:</i>				
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	Unknown	\$ _____	<u>\$ 57,871</u>
Total U.S. Department of Health and Human Services				<u>57,871</u>
Total Expenditures of Federal Awards			<u>\$ 526,028</u>	<u>\$ 4,816,592</u>

The accompanying notes are an integral part of this schedule.

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

Estill 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.

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

For The Year Ended June 30, 2024

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ESTILL 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	\$ 438,227	\$	\$	\$ 438,227
Construction in Progress	55,497			55,497
Land Improvements	161,088			161,088
Buildings	8,087,716			8,087,716
Vehicles and Equipment	4,182,609	752,773		4,935,382
Infrastructure	8,255,725	67,400		8,323,125
 Total Capital Assets	 \$ 21,180,862	 \$ 820,173	 \$ 0	 \$ 22,001,035

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

June 30, 2024

Note 1. Capital Assets

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

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

**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 *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 Donnie Watson, Estill County Judge/Executive
Members of the Estill 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 Estill County Fiscal Court for the fiscal year ended June 30, 2024, and the related notes to the financial statement which collectively comprise the Estill County Fiscal Court's financial statement and have issued our report thereon dated September 22, 2025.

Report on Internal Control Over Financial Reporting

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

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 2024-001 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 Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Estill County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Views of Responsible Official and Planned Corrective Action

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

Purpose of this Report

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

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

September 22, 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 Donnie Watson, Estill County Judge/Executive
Members of the Estill County Fiscal Court

Report on Compliance for Each Major Federal Program

Qualified Opinion on the Major Federal Program

We have audited the Estill County Fiscal Court's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Estill County Fiscal Court's major federal programs for the year ended June 30, 2024. The Estill County Fiscal Court's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion section of our report, the Estill County Fiscal Court complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2024.

Basis for Qualified Opinion on the 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 Estill 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 Estill County Fiscal Court's compliance with the compliance requirements referred to above.

As described in the accompanying Schedule of Findings and Questions Costs, the Estill County Fiscal Court did not comply with the requirements regarding Chemical Stockpile Emergency Preparedness Program ALN 97.040 for Equipment and Real Property Management as described in Finding 2024-002.

Compliance with such requirements is necessary, in our opinion, for the Estill County Fiscal Court to comply with the requirements applicable to that program.



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 Estill 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 Estill 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 Estill 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 Estill 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 Estill 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 Estill 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 certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2024-002 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 Estill County Fiscal Court's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. Estill County Fiscal Court'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 results 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

September 22, 2025

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

For The Year Ended June 30, 2024

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ESTILL 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:

<ul style="list-style-type: none"> • Are any material weaknesses identified? • Are any significant deficiencies identified? 	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported

Are any noncompliances material to financial statements noted?

Yes

No

Federal Awards

Internal control over major programs:

<ul style="list-style-type: none"> • Are any material weaknesses identified? • Are any significant deficiencies identified? 	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported

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

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

Yes

No

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
97.040	Chemical Stockpile Emergency Preparedness Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as a low-risk auditee?

Yes

No

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

Section II: Financial Statement Finding

Internal Control - Material Weakness

2024-001 The Estill County Fiscal Court Did Not Have Adequate Internal Controls Over Disbursements

Internal controls over disbursements were not operating as intended. Proper procedures for disbursements were not followed to ensure payments were accurate and timely. During testing of disbursements, we noted the following exceptions:

- Three instances where sales tax totaling \$21 was paid.
- One invoice totaling \$50 was not presented to the fiscal court for approval.
- Two instances totaling \$5,077 where purchase orders were issued after receiving an invoice.
- One instance totaling \$281 where a duplicate payment was made.
- One invoice totaling \$81,590 was paid prior to receiving fiscal court approval.
- Four instances totaling \$617,500 where invoices were not paid within 30 days of purchase.
- Encumbrances listing included encumbrances from prior years that were not outstanding.

The deficiencies listed above occurred due to a lack of monitoring of controls which rendered enacted controls ineffective over disbursements. These deficiencies could create errors in recording or allow for the possibility of misappropriation of assets. By failing to maintain adequate controls and procedures, the fiscal court is increasing the risk of exceeding budget and spending more funds than are available.

KRS 68.210 requires the State Local Finance Officer to create a system of uniform accounts for all counties and county officials. The *County Budget Preparation and State Local Finance Officer Policy Manual* outlines requirements for handling of public funds, including required purchasing procedures for counties. These requirements prescribe that (1) purchases shall not be made without approval by the judge/executive (or designee) and/or department head and (2) purchase requests shall not be approved in an amount that exceeds the available line-item appropriation unless necessary and appropriate transfers have been made.

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

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

We recommend the fiscal court monitor internal controls over disbursements to ensure they operate effectively.

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

Section II: Financial Statement Finding (Continued)

Internal Control - Material Weakness (Continued)

2024-001 The Estill County Fiscal Court Did Not Have Adequate Internal Controls Over Disbursements
(Continued)

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Purchase orders are issued for all purchases. Purchase orders are closed once materials are received and paid.

Claims are submitted to fiscal court for approval before payment is made. Invoices are not submitted until all items are received. If receipt is expected prior to next meeting, court may approve it to be paid upon receipt of items.

If a payment is needed before court meeting – judge has polled the magistrates for approval – payment made and presented to court at next meeting.

Encumbrances may remain from prior years, when a project has not been completed.

We feel our purchase order and payment procedures are adequate. We will continue to be more diligent in review and implementation of same.

Section III: Federal Award Findings And Questioned Costs

2024-002 The Estill County Fiscal Court Failed To Implement Adequate Internal Controls Over Federal Programs

Federal Program: Assistance Listing # 97.040 Chemical Stockpile Emergency Preparedness Program

Award Number and Year: Multiple Years- CSEPP Grants

Name of Federal Agency: United States Department of Homeland Security

Pass Through Agency: Kentucky Department of Military Affairs

Compliance Requirements: Allowable Costs/Cost Principles and Equipment and Real Property Management

Finding: Material Weakness, Noncompliance

Amount of Questioned Costs: None

COVID Related: No

The Estill County Fiscal Court did not establish and maintain effective internal controls over compliance with Chemical Stockpile Emergency Preparedness Program (CSEPP) requirements, resulting in the fiscal court being non-compliant with federal regulations. Additionally, during testing we noted one expenditure in the amount of \$412,662 was not paid within 30 working days and there were 23 instances where equipment or property purchased was not added to the master inventory list as required. The master inventory list has not been updated since September 2022.

The fiscal court believed that it had appropriate procedures in place and did not realize that they were not sufficient. As a result, there is an increased risk that the Estill County Fiscal Court is in noncompliance with the requirements that have a direct and material effect on CSEPP.

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

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

2024-002 The Estill County Fiscal Court Failed To Implement Adequate Internal Controls Over Federal Programs (Continued)

2 CFR § 200.303, titled Internal Controls, states the non-Federal entity must:

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

Additionally, 2 CFR § 200.313(d)(2), states, “A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.”

We recommend the fiscal court design and implement internal controls that ensure material compliance with applicable requirements for all federal awards.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive’s Response: Claims are submitted to fiscal court for approval for payment. Checks are processed the following day. With the CSEPP program some payments are dependent on advance payments being received.

Master inventory is maintained at state level. Local inventory is being updated and will be completed by 12/31/2025.

Section IV: Summary Schedule of Prior Audit Findings

Not applicable.

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

ESTILL COUNTY FISCAL COURT

For The Year Ended June 30, 2024

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CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
COUNTY FISCAL COURT

For The Year Ended June 30, 2024

The Estill 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.

Donnie Watson

County Judge/Executive

Frieda Lancaster

County Treasurer