REPORT OF THE AUDIT OF THE FRANKLIN COUNTY FISCAL COURT

For The Year Ended
June 30, 2025

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 Michael Mueller, Franklin County Judge/Executive
Members of the Franklin 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 Franklin County Fiscal Court, for the year ended June 30, 2025, and the related notes to the financial statement, which collectively comprise the Franklin 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 Franklin County Fiscal Court, for the year ended June 30, 2025, in accordance with accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Franklin County Fiscal Court, for the year ended June 30, 2025, or the changes in financial position and cash flows thereof for the year then ended.

Basis for 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 Franklin County Fiscal Court and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

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

To the People of Kentucky
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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 Franklin 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 Franklin County Fiscal Court. The Budgetary Comparison Schedules are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

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

Other Information

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

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2026, on our consideration of the Franklin 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 Franklin 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 Responses included herein, which discusses the following report findings:

2025-001 The Franklin County Fiscal Court Did Not Comply With Year-End Reporting And Approval Requirements
2025-002 The Franklin County Fiscal Court's Schedule Of Leases Was Materially Misstated

Respectfully submitted,

Allison Ball

Allison Ball
Auditor of Public Accounts
Frankfort, Ky

June 26, 2026

FRANKLIN COUNTY OFFICIALS

For The Year Ended June 30, 2025

Fiscal Court Members:

Michael Mueller	County Judge/Executive
Sherry Sebastian	Magistrate
J.W. Blackburn	Magistrate
Kelly Dycus	Magistrate
Mike Harrod	Magistrate
Richard Tanner	Magistrate
Eric Whisman	Magistrate

Other Elected Officials:

Max Comley	County Attorney
Tracy Hopper	Jailer
Jeff Hancock	County Clerk
Kem Marshall	Circuit Court Clerk
Chris Quire	Sheriff
Wil Rhodes	Property Valuation Administrator
William C. Harrod	Coroner

Appointed Personnel:

Amy Quatman	County Treasurer

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

For The Year Ended June 30, 2025

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

For The Year Ended June 30, 2025

	Budgeted Funds			
	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund
RECEIPTS				
Taxes	$ 18,367,777	$	$	$
Excess Fees	192			
Licenses and Permits	454,365			
Intergovernmental	1,167,369	1,685,462	2,069,186	125,155
Charges for Services	927,811	929	66,808	
Miscellaneous	721,342	156,030	286,605	
Interest	692,501			
Total Receipts	22,331,357	1,842,421	2,422,599	125,155
DISBURSEMENTS				
General Government	4,960,356			
Protection to Persons and Property	1,249,208		4,376,920	
General Health and Sanitation	2,104,954	851		
Social Services	454,047			
Recreation and Culture	771,767			
Roads		2,392,632		372,497
Debt Service				
Capital Projects	180,501			
Administration	1,949,347	330,605	921,496	
Total Disbursements	11,670,180	2,724,088	5,298,416	372,497
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	10,661,177	(881,667)	(2,875,817)	(247,342)
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,000,000	713,000	2,787,900	
Transfers To Other Funds	(8,364,207)			
Total Other Adjustments to Cash (Uses)	(7,364,207)	713,000	2,787,900	
Net Change in Fund Balance	3,296,970	(168,667)	(87,917)	(247,342)
Fund Balance - Beginning (Restated)	10,702,948	75,695	172,515	462,325
Fund Balance - Ending	$ 13,999,918	$ (92,972)	$ 84,598	$ 214,983
Composition of Fund Balance				
Bank Balance	$ 5,156,986	$ 145,240	$ 240,558	$ 214,983
Plus: Deposits In Transit				
Less: Outstanding Checks	(886,167)	(238,212)	(155,960)	
Certificates of Deposit	9,729,099			
Fund Balance - Ending	$ 13,999,918	$ (92,972)	$ 84,598	$ 214,983

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

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

Budgeted Funds							
Federal Projects Fund	Fire Protection Fund	County Clerk Fund	County Sheriff Fund	Transient Tax Fund	Opioid Settlement Fund	American Rescue Plan Act Fund	Capital Acquisition Fund
$	$ 4,544,829	$	$	$ 761,714	$	$	$
		492,768	5,822				
271,295	299,032		197,271				
	18,919	1,066,016	2,909,845		127,703		1,473
		5,794			19,467	198,358	363,729
271,295	4,862,780	1,564,578	3,112,938	761,714	147,170	198,358	365,202
		947,274	3,577,670			100,000	
	5,615,732						
					50,139	67,642	
269,161							
				316,369			
				446,273			1,123,005
							1,830,981
	2,250,278	326,109	1,246,768			112,946	
269,161	7,866,010	1,273,383	4,824,438	762,642	50,139	280,588	2,953,986
2,134	(3,003,230)	291,195	(1,711,500)	(928)	97,031	(82,230)	(2,588,784)
	2,893,430		1,645,000				7,152,707
		(1,000,000)				(6,029,700)	(798,130)
	2,893,430	(1,000,000)	1,645,000			(6,029,700)	6,354,577
2,134	(109,800)	(708,805)	(66,500)	(928)	97,031	(6,111,930)	3,765,793
246,913	119,409	1,314,630	69,114	1,556	431,589	8,348,485	7,505,802
$ 249,047	$ 9,609	$ 605,825	$ 2,614	$ 628	$ 528,620	$ 2,236,555	$ 11,271,595
$ 249,047	$ 68,927	$ 605,825	$ 60,711	$ 628	$ 568,620	$ 736,555	$ 5,308,052
	(59,318)		(58,097)		(40,000)		(36,457)
						1,500,000	6,000,000
$ 249,047	$ 9,609	$ 605,825	$ 2,614	$ 628	$ 528,620	$ 2,236,555	$ 11,271,595

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

	Unbudgeted Funds				
	Special Reserve Fund	Debt Service Fund	Public Properties Corporation Fund	Jail Commissary Fund	Total Funds
RECEIPTS					
Taxes	$	$	$	$	$ 23,674,320
Excess Fees					498,782
Licenses and Permits					454,365
Intergovernmental			2,167,813		7,982,583
Charges for Services					995,548
Miscellaneous				483,654	5,771,587
Interest			1,418		1,281,267
Total Receipts			2,169,231	483,654	40,658,452
DISBURSEMENTS					
General Government					9,585,300
Protection to Persons and Property					11,241,860
General Health and Sanitation					2,223,586
Social Services					723,208
Recreation and Culture				423,480	1,511,616
Roads					2,765,129
Debt Service			2,165,863		3,735,141
Capital Projects					2,011,482
Administration					7,137,549
Total Disbursements			2,165,863	423,480	40,934,871
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			3,368	60,174	(276,419)
Other Adjustments to Cash (Uses)					
Transfers From Other Funds					16,192,037
Transfers To Other Funds					(16,192,037)
Total Other Adjustments to Cash (Uses)					(0)
Net Change in Fund Balance			3,368	60,174	(276,419)
Fund Balance - Beginning (Restated)	120,000	415,334	24,053	105,091	30,115,459
Fund Balance - Ending	$ 120,000	$ 415,334	$ 27,421	$ 165,265	$ 29,839,040
Composition of Fund Balance					
Bank Balance	$ 120,000	$ 415,334	$ 27,421	$ 186,762	$ 14,105,649
Plus: Deposits In Transit				573	573
Less: Outstanding Checks				(22,070)	(1,496,281)
Certificates of Deposit					17,229,099
Fund Balance - Ending	$ 120,000	$ 415,334	$ 27,421	$ 165,265	$ 29,839,040

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

INDEX FOR NOTES
TO THE FINANCIAL STATEMENT

FRANKLIN COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2025

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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.

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 Projects 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.

Fire Protection Fund - The primary purpose of this fund is to account for fire commission receipts from the state fire commission.

County Clerk Fund - The primary purpose of this fund is to account for pass-through payroll reimbursements from the county clerk's office fees and related payroll and benefit expenses paid by the fiscal court. The fund is also used to account for receipts and disbursements related to the permanent storage of county records by the county clerk. These funds are used for the maintenance and preservation of records and the facilities used to store those records.

County Sheriff Fund - The primary purpose of this fund is to account for pass-through payroll reimbursements by the sheriff's office fees and related payroll benefit expenses paid by the fiscal court.

Transient Tax Fund - Short term rental businesses such as hotels and motels collect transient room taxes and remit to the fiscal court on a quarterly basis. All transient taxes collected are remitted to the respective agents as follows. The 3% room tax is passed on to the Frankfort Franklin County Tourism Commission. An additional 2% room tax is passed on to a bond trustee on behalf of the Grand Theatre for the purpose of paying off a revenue bond to support a fine arts center.

Opioid Settlement Fund - The primary purpose of this fund is to account for opioid settlement funds received and expended.

American Rescue Plan Act (ARPA) Fund - The primary purpose of this fund is to account for the specific federal receipts and disbursements related to the ARPA for relief of negative impacts due to the coronavirus pandemic.

Capital Acquisition Fund - This fund accounts for major improvements to existing facilities, construction or acquisition of new facilities, and major equipment purchases.

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

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 the justice center. This fund has receipts from the Administrative Office of the Courts in the amount necessary to make the debt payments associated with the justice center.

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

Special Reserve Fund - This fund was established to show commitment for a joint community wide aquatics facility.

Debt Service Fund - This fund reserves funds for debt service.

D. Budgetary Information

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

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

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

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

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.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Franklin County Elected Officials

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

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

F. Deposits and Investments

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

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

G. Long-term Obligations

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

Note 2. Deposits

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

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

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of DLG's *County Budget Preparation and State Local Finance Officer Policy Manual*. As of June 30, 2025, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2025.

	General Fund	County Clerk Fund	ARPA Fund	Capital Acquisition Fund	Total Transfers In
General Fund	$	$ 1,000,000	$	$	$ 1,000,000
Road Fund	713,000				713,000
Jail Fund	2,787,900				2,787,900
Fire Protection Fund	2,095,300			798,130	2,893,430
County Sheriff Fund	1,645,000				1,645,000
Capital Acquisition Fund	1,123,007		6,029,700		7,152,707
Total Transfers Out	$ 8,364,207	$ 1,000,000	$ 6,029,700	$ 798,130	$ 16,192,037

Reason for transfers:

To move resources from and to the General Fund and other funds, for budgetary purposes, to the funds that will expend them.

Note 4. Custodial Funds

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

The fiscal court has the following custodial fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the Jail Inmate Fund as of June 30, 2025, was $16,919.

Note 5. Commitment – Lease Agreements and Subscription-Based Information Technology Arrangements (SBITA)

A. Leases – Lessor

The Franklin County Fiscal Court was committed to the following lease agreements as lessor as of June 30, 2025:

Description	Effective Date	Length of Term	Frequency of Payments	Ending Date	Amount of Payments		Balance June 30, 2025
Office Space	11/1/2024	1 year	Annual	12/31/2025	$ 2,000		$ 0
Administrative Office of the Courts	12/1/2017	14 years	Semi-annual	4/1/2031	$ 373,213	*	$9,012,550
Administrative Office of the Courts	8/1/2020	10 years	Semi-annual	4/1/2030	$ 1,791,100	*	$3,666,800

* The amount of payments listed is the value of the principal plus interest payments received this fiscal year. Future payment amounts will vary based on the debt schedules for the first mortgage revenue refunding bonds, series 2017, and first mortgage revenue refunding bonds, series 2020, at Note 6.B.

B. Leases – Lessee

The Franklin County Fiscal Court was committed to the following lease agreements as lessee as of June 30, 2025:

Description	Effective Date	Length of Term	Frequency of Payments	Ending Date	Amount of Payments	Balance June 30, 2025
Copier	4/2/2021	5 years	Monthly	4/2/2026	$ 325	$ 3,250
Copier	3/7/2022	5 years	Monthly	3/7/2027	$ 500	$ 10,500
Copier	11/4/2021	4 years	Monthly	11/4/2025	$ 300	$ 1,800
Copier	9/21/2022	4 years	Monthly	9/21/2026	$ 45	$ 675
Copier	9/21/2022	4 years	Monthly	9/21/2026	$ 38	$ 570
Copier	9/22/2022	4 years	Monthly	9/22/2026	$ 120	$ 1,800
Copier	3/7/2022	4 years	Monthly	3/7/2026	$ 200	$ 1,800
Copier	3/7/2022	4 years	Monthly	3/7/2026	$ 275	$ 2,475
Copier	9/9/2023	5 years	Monthly	9/9/2028	$ 185	$ 7,215
Golf Carts	10/28/2021	5 years	Monthly	10/28/2026	$ 2,728	$ 27,280
Office Space	7/1/2024	2 years	Semi-annual	6/30/2026	$ 19,435	$ 38,870
Office Space	7/1/2024	2 years	Semi-annual	6/30/2026	$ 18,479	$ 36,958
Office Space	7/1/2024	2 years	Semi-annual	6/30/2026	$ 1,680	$ 3,360

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

Note 6. Long-term Debt

A. Direct Borrowings and Direct Placements

1. Fire Department

On October 28, 2015, the Franklin County Fiscal Court issued $2,200,000 in General Obligation Lease Bonds, Series 2015, dated October 28, 2015, payable in 10 annual principal installments beginning June 30, 2017, with semi-annual interest payments at 2.08 percent beginning June 1, 2016. These bonds were used for the construction of a fire station. In the event of default, the bank may seek all remedies available to it under the law in the state of Kentucky, including foreclosure of the mortgage. As of June 30, 2025, the outstanding balance was $240,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2026	$ 240,000	$ 2,496
Totals	$ 240,000	$ 2,496

2. Fire Truck and Energy Savings Project

The Franklin County Fiscal Court issued $5,560,000 in General Obligation Lease Bonds, dated December 10, 2020, payable in 28 annual principal installments beginning December 20, 2021, with semiannual interest payments at 3.00 percent beginning June 20, 2021. These bonds were used for the purchase of a fire truck and to complete an energy savings project. In the event of default, the bank may seek all remedies available to it under the law in the state of Kentucky, including foreclosure of the mortgage. As of June 30, 2025, the outstanding balance was $4,465,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2026	$ 305,000	$ 128,119
2027	325,000	111,606
2028	340,000	94,169
2029	355,000	81,269
2030	360,000	73,231
2031-2035	1,520,000	253,819
2036-2039	1,260,000	76,490
Totals	$ 4,465,000	$ 818,703

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

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

3. Mower

The Franklin County Fiscal Court entered into a lease agreement with KACO Leasing Trust, dated January 24, 2023, payable in 60 annual principal installments beginning March 20, 2023, with monthly interest payments at 4.99 percent. These funds were used for the purchase of a mower for $79,040. In the event of default, KACO Leasing Trust may seek all remedies available to it under the law in the state of Kentucky. As of June 30, 2025, the outstanding balance was $35,927. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2026	$ 13,362	$ 1,490
2027	14,044	808
2028	8,521	142
Totals	$ 35,927	$ 2,440

4. General Obligation Bonds, Series 2023

On July 18, 2023, the Franklin County Fiscal Court issued $10,000,000 in General Obligation Bonds. Proceeds from the bonds were used for the purpose of financing (i) the cost of the acquisition, development, and construction of a road maintenance building, owned and operated by the county and to be used for a public purpose, other capital improvement projects, including acquisition of a firetruck and/or other county equipment, and public park projects, as approved by the fiscal court, each having an estimated life or period of usefulness of one (1) year or more, to be owned and operated by the county, and used for a public purpose; (iii) the payment of accrued interest, if any; and (iv) the payment of the cost of issuance incurred with respect to the issuance of the bonds. Principal payments are due annually on June 1 beginning June 1, 2024. Interest payments, which varies from 4 percent to 5 percent, are payable semi-annually on December1 and June 1. The outstanding principal balance as of June 30, 2025, was $9,915,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2026	$ 20,000	$ 431,100
2027	260,000	430,100
2028	280,000	417,100
2029	300,000	403,100
2030	320,000	388,100
2031-2035	2,270,000	1,655,000
2036-2040	3,300,000	1,065,400
2041-2043	3,165,000	256,400
Totals	$ 9,915,000	$ 5,046,300

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

Note 6. Long-term Debt (Continued)

B. Other Debt

1. First Mortgage Revenue Refunding Bonds, Series 2017

On December 1, 2017, the Franklin County Public Properties Corporation issued $8,410,000 in First Mortgage Revenue Refunding Bonds. Proceeds from the bonds will be used for the purpose of (i) the advance refunding of all or certain maturities of the $5,125,000 Franklin County, Kentucky Public Properties Corporation First Mortgage Revenue Bonds, Series 2011A, dated May 3, 2011; (ii) the advance refunding of all or certain maturities of the $23,890,000 Franklin County, Kentucky Public Properties Corporation First Mortgage Revenue Bonds, Series 2011B, dated May 3, 2011; (iii) the payment of accrued interest, if any; and (iv) the payment of the cost of issuance incurred with respect to the issuance of the bonds. Principal payments are due annually on April 1 beginning April 1, 2021. Interest payments, which varies from 3 percent to 5 percent, are payable semi-annually on April 1 and October 1. The outstanding principal balance as of June 30, 2025, was $8,070,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2026	$ 1,440,000	$ 301,550
2027	1,790,000	243,950
2028	1,860,000	172,350
2029	855,000	97,950
2030	25,000	63,750
2031	2,100,000	63,000
Totals	$ 8,070,000	$ 942,550

2. First Mortgage Revenue Refunding Bonds, Series 2020

On August 27, 2020, the Franklin County Public Properties Corporation issued $9,260,000 in taxable First Mortgage Revenue Refunding Bonds. Proceeds from the bonds were used for the purpose of (i) the advance refunding of all or certain maturities of the $3,055,000 Franklin County, Kentucky Public Properties Corporation First Mortgage Revenue Bonds, Series 2011A, dated May 3 2011; (ii) the advance refunding of all or certain maturities of the $7,345,000 Franklin County, Kentucky Public Properties Corporation First Mortgage Revenue Bonds, Series 2011B, dated May 3, 2011; (iii) the payment of accrued interest, if any; and (iv) the payment of the cost of issuance incurred with respect to the issuance of the bonds. Principal payments are due annually on April 1 beginning April 1, 2021. Interest payments, which varies from 3 percent to 5 percent, are payable semiannually on April 1 and October 1. The outstanding principal balance as of June 30, 2025, was $3,365,000. Future principal and interest requirements are:

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

Note 6. Long-term Debt (Continued)

B. Other Debt

2. First Mortgage Revenue Refunding Bonds, Series 2020 (Continued)

Fiscal Year Ending June 30	Principal	Scheduled Interest
2026	$ 65,000	$ 67,300
2027	65,000	66,000
2028	65,000	64,700
2029	1,150,000	63,400
2030	2,020,000	40,400
Totals	$ 3,365,000	$ 301,800

C. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2025, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	$ 15,208,642	$	$ 552,715	$14,655,927	$ 578,362
Other Debt	13,195,000		1,760,000	11,435,000	1,505,000
Total Long-term Debt	$ 28,403,642	$ 0	$ 2,312,715	$26,090,927	$ 2,083,362

D. Aggregate Debt Schedule

The amount of required principal and interest payments on long-term obligations on June 30, 2025, were as follows:

Fiscal Year Ended June 30	Other Debt		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2026	$ 1,505,000	$ 368,850	$ 578,362	$ 563,205
2027	1,855,000	309,950	599,044	542,514
2028	1,925,000	237,050	628,521	511,411
2029	2,005,000	161,350	655,000	484,369
2030	2,045,000	104,150	680,000	461,331
2031-2035	2,100,000	63,000	3,790,000	1,908,819
2036-2040			4,560,000	1,141,890
2041-2043			3,165,000	256,400
Totals	$ 11,435,000	$ 1,244,350	$14,655,927	$ 5,869,939

Note 7. Contingencies

The county is involved in multiple lawsuits. While individually they may not be significant, in the aggregate they could negatively impact the county's financial position. Due to the uncertainty of the litigation, a reasonable estimate of the financial impact on the county cannot be made at this time.

Note 8. Employee Retirement System

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

The county's contribution for FY 2023 was $4,124,877, FY 2024 was $4,117,032, and FY 2025 was $3,507,665.

<u>Nonhazardous</u>

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

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

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

The county's contribution rate for nonhazardous employees was 19.71%.

Note 8. Employee Retirement System (Continued)

Hazardous

Hazardous covered employees are required to contribute 8% of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 9% of their salary to be allocated as follows: 8% will go to the member's account and 1% will be allocated to CERS's share of assets in the Ky. Ret. Sys. insurance trust fund.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan.

Members in the plan contribute a set percentage of their salary each month to their own accounts. Hazardous members contribute 8% of their annual creditable compensation and also contribute 1% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board of Trustees based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A hazardous member's account is credited with a 7.5% employer pay credit. The employer pay credit represents a portion of the employer contribution.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008, aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

The county's contribution rate for hazardous employees was 38.61%.

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%

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

Note 8. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (Continued)

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn $10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Hazardous employees whose participation began on or after July 1, 2003, earn $15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, the employee's spouse receives $10 per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Benefits are covered under KRS 78.5536.

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

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

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

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

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

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

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

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

Note 8. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

D. Cost of Living Adjustments - Tier 1

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

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

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

F. Death Benefit

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

G. Annual Financial Report and Proportionate Share Audit Report

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

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

Note 9. Deferred Compensation

The Franklin 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.

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

Note 9. Deferred Compensation (Continued)

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

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

Note 10. Health Reimbursement Account/Flexible Spending Account

The Franklin County Fiscal Court established a health reimbursement and flexible spending account to provide employees an additional health benefits. The health reimbursement plan provides funds for employees that waive county paid health insurance. In addition, the county also offers the flexible spending option for county employees to contribute their own pre-tax funds through payroll deduction into the account. The county has contracted with a third-party administrator to administer the plans. The balance of the account as of June 30, 2025, was $156,612.

Note 11. Insurance

For the fiscal year ended June 30, 2025, the Franklin County Fiscal Court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 12. Conduit Debt

From time to time, the county has issued bonds to provide financial assistance to industries in Franklin County for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest, in accordance with KRS 103.210. This debt may take the form of certain types of limited-obligation revenue bonds, certificates of participation, or similar debt instruments. Although conduit debt obligations bear the Franklin 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. As of June 30, 2025, conduit debt has been issued but the amount currently outstanding is not reasonably determinable.

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

Note 13. Tax Abatements

A. Buffalo Trace Distillery, Inc.

The occupational tax license fee was abated under the authority of Resolution No. 45-2016, adopted by the county on December 22, 2016. Buffalo Trace Distillery, Inc. is eligible to receive this tax abatement due to its commitment to expand operations and create jobs and investments. The taxes are abated by a rebate of one-half percent (0.5%) of occupational tax license fees, which would be paid by new employees from their salaries and wages. For fiscal year ending June 30, 2025, Franklin County Fiscal Court did not abate any occupational tax license fees.

B. Hayashi Telempu North America

The occupational tax license fee was abated under the authority of Resolution No. 37-2016, adopted by the county on October 28, 2016. Hayashi Telempu North America is eligible to receive this tax abatement due to its commitment to establish new operations and create jobs and investments. The taxes are abated by reimbursement of one-half percent (0.5%) of occupational tax license fees which would be paid by new employees from their salaries and wages. For fiscal year ending June 30, 2025, Franklin County Fiscal Court abated $43,180 in occupational tax license fees.

C. Mitsui Kinzoku Catalysts America, Inc.

The occupational tax license fee was abated under the authority of Resolution No. 27-2013, adopted by the county on August 29, 2013. Mitsui Kinzoku Catalysts America, Inc. is eligible to receive this tax abatement due to its commitment to establishing new operations and creating jobs and investments. The taxes are abated by reimbursement of one-half percent (0.5%) of occupational tax license fees which would be paid by new employees from their salaries and wages. For fiscal year ending June 30, 2025, Franklin County Fiscal Court did not abate any occupational tax license fees.

D. The Recon Group

The occupational tax license fee was abated under the authority of Resolution No. 28-2020, adopted by the County on January 1, 2022. The Recon Group is eligible to receive this tax abatement due to its commitment to expand its existing operations and create jobs and investments. The taxes are abated, allowing the company to retain one-half of one percent (0.5%) of occupational tax license fees which would be paid by new employees from their salaries and wages. For fiscal year ending June 30, 2025, the Franklin County Fiscal Court did not abate any occupational tax license fees.

Note 14. Prior Period Adjustments

The beginning balance of the Jail Commissary Fund was increased $2,421 to account for prior year deposits in transit.

Note 15. Negative Fund Balance

The financial statements show a negative fund balance in the Road Fund ($92,972). This negative balance is due to all funds being maintained in a combined bank account and transfers not being recorded before expenditures being made. At the end of the fiscal year, the combined bank account had a positive balance, which was a result of the other county funds having a positive balance to offset the Road Fund’s negative cash balance.

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FRANKLIN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2025

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FRANKLIN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2025

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	$ 16,778,000	$ 17,018,000	$ 18,367,777	$ 1,349,777
Excess Fees			192	192
Licenses and Permits	397,300	401,000	454,365	53,365
Intergovernmental	945,900	1,399,762	1,167,369	(232,393)
Charges for Services	674,000	674,000	927,811	253,811
Miscellaneous	78,000	666,397	721,342	54,945
Interest	275,000	275,000	692,501	417,501
Total Receipts	19,148,200	20,434,159	22,331,357	1,897,198
DISBURSEMENTS				
General Government	4,341,895	5,555,609	4,960,356	595,253
Protection to Persons and Property	936,500	1,286,500	1,249,208	37,292
General Health and Sanitation	2,389,350	2,415,596	2,104,954	310,642
Social Services	506,485	506,485	454,047	52,438
Recreation and Culture	788,360	812,942	771,767	41,175
Capital Projects	125,000	193,000	180,501	12,499
Administration	2,247,100	2,467,117	1,949,347	517,770
Total Disbursements	11,334,690	13,237,249	11,670,180	1,567,069
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	7,813,510	7,196,910	10,661,177	3,464,267
Other Adjustments to Cash (Uses)				
Transfers From Other Funds		287,000	1,000,000	713,000
Transfers To Other Funds	(10,473,380)	(11,440,380)	(8,364,207)	3,076,173
Total Other Adjustments to Cash (Uses)	(10,473,380)	(11,153,380)	(7,364,207)	3,789,173
Net Change in Fund Balance	(2,659,870)	(3,956,470)	3,296,970	7,253,440
Fund Balance - Beginning	2,659,870	3,956,470	10,702,948	6,746,478
Fund Balance - Ending	$ 0	$ 0	$ 13,999,918	$ 13,999,918

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

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	$ 1,488,500	$ 1,580,500	$ 1,685,462	$ 104,962
Charges for Services			929	929
Miscellaneous	25,000	120,782	156,030	35,248
Total Receipts	1,513,500	1,701,282	1,842,421	141,139
DISBURSEMENTS				
General Health and Sanitation	3,000	3,000	851	2,149
Roads	2,615,750	2,847,232	2,392,632	454,600
Administration	382,500	440,800	330,605	110,195
Total Disbursements	3,001,250	3,291,032	2,724,088	566,944
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,487,750)	(1,589,750)	(881,667)	708,083
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,487,750	1,589,750	713,000	(876,750)
Total Other Adjustments to Cash (Uses)	1,487,750	1,589,750	713,000	(876,750)
Net Change in Fund Balance			(168,667)	(168,667)
Fund Balance - Beginning			75,695	75,695
Fund Balance - Ending	$ 0	$ 0	$ (92,972)	$ (92,972)

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

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	$ 3,196,700	$ 3,196,700	$ 2,069,186	$ (1,127,514)
Charges for Services	72,700	72,700	66,808	(5,892)
Miscellaneous	236,000	299,390	286,605	(12,785)
Total Receipts	3,505,400	3,568,790	2,422,599	(1,146,191)
DISBURSEMENTS				
General Government				
Protection to Persons and Property	4,690,690	4,754,080	4,376,920	377,160
Administration	949,500	949,500	921,496	28,004
Total Disbursements	5,640,190	5,703,580	5,298,416	405,164
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(2,134,790)	(2,134,790)	(2,875,817)	(741,027)
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	2,134,790	2,134,790	2,787,900	653,110
Total Other Adjustments to Cash (Uses)	2,134,790	2,134,790	2,787,900	653,110
Net Change in Fund Balance			(87,917)	(87,917)
Fund Balance - Beginning			172,515	172,515
Fund Balance - Ending	$ 0	$ 0	$ 84,598	$ 84,598

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

	LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	$ 130,000	$ 130,000	$ 125,155	$ (4,845)
Total Receipts	130,000	130,000	125,155	(4,845)
DISBURSEMENTS				
Roads	458,500	458,500	372,497	86,003
Total Disbursements	458,500	458,500	372,497	86,003
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(328,500)	(328,500)	(247,342)	81,158
Net Change in Fund Balance	(328,500)	(328,500)	(247,342)	81,158
Fund Balance - Beginning	328,500	328,500	462,325	133,825
Fund Balance - Ending	$ 0	$ 0	$ 214,983	$ 214,983

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

	FEDERAL PROJECTS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	$ 1,457,300	$ 1,707,300	$ 271,295	$ (1,436,005)
Total Receipts	1,457,300	1,707,300	271,295	(1,436,005)
DISBURSEMENTS				
General Government	1,000,000	1,250,000		1,250,000
Social Services	457,300	457,300	269,161	188,139
Total Disbursements	1,457,300	1,707,300	269,161	1,438,139
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			2,134	2,134
Net Change in Fund Balance			2,134	2,134
Fund Balance - Beginning			246,913	246,913
Fund Balance - Ending	$ 0	$ 0	$ 249,047	$ 249,047

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

	FIRE PROTECTION FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	$ 4,000,000	$ 4,540,000	$ 4,544,829	$ 4,829
Intergovernmental	285,000	453,000	299,032	(153,968)
Miscellaneous	5,000	22,860	18,919	(3,941)
Total Receipts	4,290,000	5,015,860	4,862,780	(153,080)
DISBURSEMENTS				
Protection to Persons and Property	6,344,350	6,567,410	5,615,732	951,678
Administration	2,174,700	2,677,500	2,250,278	427,222
Total Disbursements	8,519,050	9,244,910	7,866,010	1,378,900
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(4,229,050)	(4,229,050)	(3,003,230)	1,225,820
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	4,229,050	4,229,050	2,893,430	(1,335,620)
Total Other Adjustments to Cash (Uses)	4,229,050	4,229,050	2,893,430	(1,335,620)
Net Change in Fund Balance			(109,800)	(109,800)
Fund Balance - Beginning			119,409	119,409
Fund Balance - Ending	$ 0	$ 0	$ 9,609	$ 9,609

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

	COUNTY CLERK FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Excess Fees	$ 204,900	$ 491,900	$ 492,768	$ 868
Miscellaneous	1,086,800	1,086,800	1,066,016	(20,784)
Interest	3,000	3,000	5,794	2,794
Total Receipts	1,294,700	1,581,700	1,564,578	(17,122)
DISBURSEMENTS				
General Government	1,165,400	1,165,400	947,274	218,126
Administration	343,400	343,400	326,109	17,291
Total Disbursements	1,508,800	1,508,800	1,273,383	235,417
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(214,100)	72,900	291,195	218,295
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	135,500	135,500		(135,500)
Transfers To Other Funds		(287,000)	(1,000,000)	(713,000)
Total Other Adjustments to Cash (Uses)	135,500	(151,500)	(1,000,000)	(848,500)
Net Change in Fund Balance	(78,600)	(78,600)	(708,805)	(630,205)
Fund Balance - Beginning	78,600	78,600	1,314,630	1,236,030
Fund Balance - Ending	$ 0	$ 0	$ 605,825	$ 605,825

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

	COUNTY SHERIFF FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Excess Fees	$ 4,490	$ 4,490	$ 5,822	$ 1,332
Intergovernmental	147,920	175,020	197,271	22,251
Miscellaneous	3,167,900	3,167,900	2,909,845	(258,055)
Total Receipts	3,320,310	3,347,410	3,112,938	(234,472)
DISBURSEMENTS				
General Government	3,405,200	3,585,000	3,577,670	7,330
Administration	1,405,900	1,328,200	1,246,768	81,432
Total Disbursements	4,811,100	4,913,200	4,824,438	88,762
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,490,790)	(1,565,790)	(1,711,500)	(145,710)
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,490,790	1,565,790	1,645,000	79,210
Total Other Adjustments to Cash (Uses)	1,490,790	1,565,790	1,645,000	79,210
Net Change in Fund Balance			(66,500)	(66,500)
Fund Balance - Beginning			69,114	69,114
Fund Balance - Ending	$ 0	$ 0	$ 2,614	$ 2,614

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

TRANSIENT TAX FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	$ 620,000	$ 766,000	$ 761,714	$ (4,286)
Total Receipts	620,000	766,000	761,714	(4,286)
DISBURSEMENTS				
Recreation and Culture	250,000	316,400	316,369	31
Debt Service	370,000	451,400	446,273	5,127
Total Disbursements	620,000	767,800	762,642	5,158
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(1,800)	(928)	872
Net Change in Fund Balance		(1,800)	(928)	872
Fund Balance - Beginning		1,800	1,556	(244)
Fund Balance - Ending	$ 0	$ 0	$ 628	$ 628

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

	OPIOID SETTLEMENT FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	$	$ 90,700	$ 127,703	$ 37,003
Interest	7,000	7,000	19,467	12,467
Total Receipts	7,000	97,700	147,170	49,470
DISBURSEMENTS				
General Health and Sanitation		77,000	50,139	26,861
Administration	436,000	449,700		449,700
Total Disbursements	436,000	526,700	50,139	476,561
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(429,000)	(429,000)	97,031	526,031
Net Change in Fund Balance	(429,000)	(429,000)	97,031	526,031
Fund Balance - Beginning	429,000	429,000	431,589	2,589
Fund Balance - Ending	$ 0	$ 0	$ 528,620	$ 528,620

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

	AMERICAN RESCUE PLAN ACT FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	$	$	$ 198,358	$ 198,358
Total Receipts			198,358	198,358
DISBURSEMENTS				
General Government	100,000	100,000	100,000	
General Health and Sanitation	106,750	106,750	67,642	39,108
Capital Projects	1,500,000	1,500,000		1,500,000
Administration	6,142,600	6,142,600	112,946	6,029,654
Total Disbursements	7,849,350	7,849,350	280,588	7,568,762
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(7,849,350)	(7,849,350)	(82,230)	7,767,120
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(6,029,700)	(6,029,700)
Total Other Adjustments to Cash (Uses)			(6,029,700)	(6,029,700)
Net Change in Fund Balance	(7,849,350)	(7,849,350)	(6,111,930)	1,737,420
Fund Balance - Beginning	7,849,350	7,849,350	8,348,485	499,135
Fund Balance - Ending	$ 0	$ 0	$ 2,236,555	$ 2,236,555

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

	CAPITAL ACQUISITION FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	$	$	$ 1,473	$ 1,473
Interest			363,729	363,729
Total Receipts			365,202	365,202
DISBURSEMENTS				
Debt Service	1,124,000	1,124,000	1,123,005	995
Capital Projects	7,253,000	8,043,000	1,830,981	6,212,019
Administration	18,500	18,500		18,500
Total Disbursements	8,395,500	9,185,500	2,953,986	6,231,514
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(8,395,500)	(9,185,500)	(2,588,784)	6,596,716
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,795,500	2,585,500	7,152,707	4,567,207
Transfers To Other Funds	(800,000)	(800,000)	(798,130)	1,870
Total Other Adjustments to Cash (Uses)	995,500	1,785,500	6,354,577	4,569,077
Net Change in Fund Balance	(7,400,000)	(7,400,000)	3,765,793	11,165,793
Fund Balance - Beginning	7,400,000	7,400,000	7,505,802	105,802
Fund Balance - Ending	$ 0	$ 0	$ 11,271,595	$ 11,271,595

FRANKLIN COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2025

Note 1. Budgetary Information

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

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

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

FRANKLIN COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2025

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FRANKLIN COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2025

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance (Restated*)	Additions	Deletions	Ending Balance
Land and Land Improvements	$ 4,981,660	$	$ 15,000	$ 4,966,660
Construction In Progress	2,691,805	2,622,945	4,766,379	548,371
Buildings	52,839,875	4,766,379	168,953	57,437,301
Furniture and Equipment*	6,218,727	1,552,219	3,274,939	4,496,007
Vehicles*	9,331,669	1,937,563	244,699	11,024,533
Infrastructure	61,183,546	704,726		61,888,272
Total Capital Assets	$137,247,282	$ 11,583,832	$ 8,469,970	$140,361,144

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

June 30, 2025

Note 1. Capital Assets

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

	Capitalization Threshold	Useful Life (Years)
Land Improvements	$ 25,000	20
Land	$ 1	
Buildings and Building Improvements	$ 50,000	10-40
Machinery and Equipment	$ 5,000	3-10
Vehicles	$ 5,000	5
Infrastructure	$ 100,000	25-50

Note 2. Restatement of Capital Assets Beginning Balance

The beginning balance of vehicles was restated and decreased by $776,369, and the beginning balance of furniture and equipment was restated and increased by $1,360. These restatements were made to correct prior-year capital asset balances and to agree the reported balances to the county's capital asset records.

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 Michael Mueller, Franklin County Judge/Executive
Members of the Franklin 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 Franklin County Fiscal Court for the fiscal year ended June 30, 2025, and the related notes to the financial statement which collectively comprise the Franklin County Fiscal Court's financial statement and have issued our report thereon dated June 26, 2026.

Report on Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2025-001 and 2025-002 to be material weaknesses.

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Report on Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Franklin County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards,* and which are described in the accompanying Schedule of Findings and Responses as items 2025-001 and 2025-002.

Views of Responsible Officials and Planned Corrective Action

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

Purpose of this Report

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

Respectfully submitted,

Allison Ball

Allison Ball
Auditor of Public Accounts
Frankfort, Ky

June 26, 2026

FRANKLIN COUNTY
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended June 30, 2025

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FRANKLIN COUNTY
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended June 30, 2025

2025-001 The Franklin County Fiscal Court Did Not Comply With Year-End Reporting And Approval Requirements

Condition and Context

Franklin County Fiscal Court did not report encumbrances on its fourth quarter financial statement submitted to the Department for Local Government (DLG), despite having outstanding purchase orders totaling approximately $1,360,790 at June 30, 2025.

Cause

County officials believed encumbrances were not required to be reported because the county prepares its financial statements on a cash basis. As a result, the fiscal court lacked adequate controls and review procedures to ensure compliance with DLG's year-end reporting requirements.

Effect

By not reporting outstanding purchase orders as encumbrances, the fiscal court overstated its unencumbered fund balances on the fourth quarter financial statement submitted to DLG.

Criteria

KRS 68.210 states, "[t]he administration of the county uniform budget system shall be under the supervision of the state local finance officer who may inspect and shall supervise the administration of accounts and financial operations and shall prescribe…a uniform system of accounts." The *County Budget Preparation and State Local Finance Officer Policy Manual* (page 72) requires counties to report unpaid purchase orders as encumbrances on the fourth quarter financial statement.

Recommendation

We recommend the fiscal court strengthen internal controls and procedures to ensure all outstanding purchase orders at year-end are properly reported as encumbrances on the fourth quarter financial statement in accordance with DLG requirements.

Views of Responsible Official and Planned Corrective Action

County Judge/Executive's Response: Franklin County agrees with Finding #2025-001. Outstanding purchase orders will be listed as encumbrances on the next quarterly report. The majority of the encumbrances was for a capital project that was not completed and expensed in FY26. This omission does not reflect an absence of supporting documentation or purchase order records. Finding #2025-001 is a compliance issue only. All money is accounted for properly.

FRANKLIN COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2025
(Continued)

2025-002 The Franklin County Fiscal Court's Schedule Of Leases Was Materially Misstated

Condition and Context

The Franklin County Fiscal Court omitted the judicial center leases from its GASB 87 worksheet. As the lessor in this agreement with the Administrative Office of the Courts (AOC), the fiscal court failed to include GASB 87-compliant lease receivables totaling $12,679,350 as of June 30, 2025.

Cause

The county treasurer followed guidance she received from the Department of Local Government, informing her the AOC lease did not meet the definition of a GASB 87 lease, and was not required to be included on the lease worksheet.

Effect

The county's notes to the financial statements were understated by $12,679,350.

Criteria

GASB Statement No. 87 requires governments to disclose information about lease arrangements in the notes to the financial statements.

Recommendations

We recommend the fiscal court ensure all GASB 87-compliant leases are disclosed on the GASB 87 worksheet.

Views of Responsible Official and Planned Corrective Action

County Judge/Executive's Response: Franklin County respectfully disagrees with Finding #2025-002. The County relied on guidance provided by the Kentucky Department for Local Government regarding the reporting requirements for the Judicial Center agreement. Specifically, DLG provided written confirmation to a County Treasurer, which was subsequently shared with all County Treasurers, stating that the Judicial Center bonds do not meet the disclosure requirements for GASB 87. Based on this guidance, the County concluded that the Judicial Center agreement was not required to be reported as a lease under GASB 87.

Auditor's Reply: Although the Franklin County Fiscal Court was provided with guidance originating from the regulatory agency, such information did not accurately reflect GASB 87 requirements and caused their note disclosure as a GASB 87 lessor to be materially understated. The lease agreements between the Franklin County Fiscal Court and AOC meet the definition of a lease under GASB 87 reporting requirements and are required to be included on the county's lease schedule. The material omission of this information causes the true financial standing of Franklin County Fiscal Court to be misrepresented.

CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

FRANKLIN COUNTY FISCAL COURT

For The Year Ended June 30, 2025

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CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE

FRANKLIN COUNTY FISCAL COURT

For The Year Ended June 30, 2025

The Franklin 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