REPORT OF THE AUDIT OF THE HARLAN COUNTY FISCAL COURT

For The Year Ended
June 30, 2025

ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS
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CONTENTS PAGE

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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 Dan Mosley, Harlan County Judge/Executive
Members of the Harlan 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 Harlan County Fiscal Court, for the year ended June 30, 2025, and the related notes to the financial statement, which collectively comprise the Harlan 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 Harlan 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 Harlan 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 Harlan 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 Harlan 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

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

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

Other Information

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

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2026, on our consideration of the Harlan 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 Harlan County Fiscal Court's internal control over financial reporting and compliance.

Respectfully submitted,

Allison Ball
Allison Ball
Auditor of Public Accounts
Frankfort, Ky

March 23, 2026

HARLAN COUNTY OFFICIALS

For The Year Ended June 30, 2025

Fiscal Court Members:

Dan Mosley	County Judge/Executive
Bill Moore	Magistrate
Paul Browning	Magistrate
Jim Roddy	Magistrate
James Howard	Magistrate
Paul Caldwell	Magistrate

Other Elected Officials:

Fred Busroe	County Attorney
Bradley J. Burkhart	Jailer
Ashley Sullivan	County Clerk
Wendy Flanary	Circuit Court Clerk
Christopher Brewer	Sheriff
Felicia Wooter	Property Valuation Administrator
John Derrick Noe	Coroner

Appointed Personnel:

Ryan Creech	County Treasurer
Colby Goss	Deputy Judge Executive
Keri Stevens	Administrative Assistant/Finance Officer

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

For The Year Ended June 30, 2025

HARLAN 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	$ 3,908,234	$	$	$
In Lieu Tax Payments	11,184	3,319		
Excess Fees	45,870			
Licenses and Permits	187,944			
Intergovernmental	6,137,843	2,068,360	1,562,288	1,322,763
Charges for Services	1,529,063	203,550	47,736	
Miscellaneous	498,592		115,631	2,294
Interest	204,015	52,778		69,771
Total Receipts	12,522,745	2,328,007	1,725,655	1,394,828
DISBURSEMENTS				
General Government	2,831,722			23,031
Protection to Persons and Property	178,173		2,159,448	128,657
General Health and Sanitation	1,805,732			491,130
Social Services	2,072,645			
Recreation and Culture	713,596			356,727
Roads		1,689,698		
Airports	172,203			
Debt Service	110,602	345,006		7,843
Capital Projects	100,000			
Administration	1,946,228	390,237	557,372	198,487
Total Disbursements	9,930,901	2,424,941	2,716,820	1,205,875
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	2,591,844	(96,934)	(991,165)	188,953
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,154,559	315,599	1,012,816	
Transfers To Other Funds	(646,063)			
Total Other Adjustments to Cash (Uses)	508,496	315,599	1,012,816	
Net Change in Fund Balance	3,100,340	218,665	21,651	188,953
Fund Balance - Beginning	6,479,125	2,533,156	28,652	3,480,914
Fund Balance - Ending	$ 9,579,465	$ 2,751,821	$ 50,303	$ 3,669,867
Composition of Fund Balance				
Bank Balance	$ 2,718,115	$ 534,227	$ 90,032	$ 941,123
Plus: Deposits In Transit				
Less: Outstanding Checks	(316,982)	(39,957)	(39,729)	(94,562)
Certificates of Deposit	7,178,332	2,257,551		2,823,306
Fund Balance - Ending	$ 9,579,465	$ 2,751,821	$ 50,303	$ 3,669,867

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

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

Budgeted Funds						
Federal Grants Fund	Sinking Fund	Local Government Economic Development Fund	Emergency 911 Fund	Clerk Storage Fund	Opioid Fund	American Rescue Plan Act Fund
$	$	$	$ 161,064	$	$	$
				21,980		
551,079		2,035,181	289,105			
			411		262,829	
9	1		7,714		19,786	54,748
551,088	1	2,035,181	458,294	21,980	282,615	54,748
		140,210		5,314		
		4,518	616,197			
551,110		334,878				285,173
		257,268			33,311	
		116,876				
	851,643	165,000				
			7,176		19,378	
551,110	851,643	1,018,750	623,373	5,314	52,689	285,173
(22)	(851,642)	1,016,431	(165,079)	16,666	229,926	(230,425)
	851,643					
		(502,330)				(2,186,224)
	851,643	(502,330)				(2,186,224)
(22)	1	514,101	(165,079)	16,666	229,926	(2,416,649)
99,156	136	682,883	913,445	40,555	839,025	2,571,397
$ 99,134	$ 137	$ 1,196,984	$ 748,366	$ 57,221	$ 1,068,951	$ 154,748
$ 215,110	$ 137	$ 1,205,927	$ 310,981	$ 57,221	$ 567,541	$ 2,679
(215,128)		(8,943)	(134,166)		(1,541)	
99,152			571,551		502,951	152,069
$ 99,134	$ 137	$ 1,196,984	$ 748,366	$ 57,221	$ 1,068,951	$ 154,748

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

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

	Unbudgeted Funds		
	Justice Center Public Properties Corporation Fund	Jail Commissary Fund	Total Funds
RECEIPTS			
Taxes	$	$	$ 4,069,298
In Lieu Tax Payments			14,503
Excess Fees			67,850
Licenses and Permits			187,944
Intergovernmental	669,075		14,635,694
Charges for Services			1,780,349
Miscellaneous		601,938	1,481,695
Interest	881		409,703
Total Receipts	669,956	601,938	22,647,036
DISBURSEMENTS			
General Government			3,000,277
Protection to Persons and Property			3,086,993
General Health and Sanitation			3,468,023
Social Services			2,363,224
Recreation and Culture		646,637	1,833,836
Roads			1,689,698
Airports			172,203
Debt Service	673,837		2,153,931
Capital Projects			100,000
Administration			3,118,878
Total Disbursements	673,837	646,637	20,987,063
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(3,881)	(44,699)	1,659,973
Other Adjustments to Cash (Uses)			
Transfers From Other Funds			3,334,617
Transfers To Other Funds			(3,334,617)
Total Other Adjustments to Cash (Uses)			
Net Change in Fund Balance	(3,881)	(44,699)	1,659,973
Fund Balance - Beginning	3,881	435,134	18,107,459
Fund Balance - Ending	$ 0	$ 390,435	$ 19,767,432
Composition of Fund Balance			
Bank Balance	$	$ 410,656	$ 7,053,749
Plus: Deposits In Transit		1,161	1,161
Less: Outstanding Checks		(21,382)	(872,390)
Certificates of Deposit			13,584,912
Fund Balance - Ending	$ 0	$ 390,435	$ 19,767,432

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

INDEX FOR NOTES
TO THE FINANCIAL STATEMENT

HARLAN COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2025

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The Economic Development Association, (formerly known as the Harlan County Industrial Development Authority Board), Tucker Guthrie Airport, and Sleepy Hollow Golf Course would have been included in the reporting entity under accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. However, under the regulatory basis, they no longer are required components of the reporting entity. Audits of the Economic Development Association can be obtained from the Harlan County Fiscal Court, PO Box 956, Harlan, Ky. 40831.

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.

HARLAN 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)

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.

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

Federal Grants Fund - The primary purpose of this fund is to account for federal grants and related disbursements. The primary source of receipts for this fund is federal grants.

Sinking Fund - The primary purpose of this fund is to process debt payments. The primary sources of receipts for this fund are General Fund and Local Government Economic Development Fund monies.

Local Government Economic Development Fund - The purpose of this fund is to account for projects funded by local government economic development funds. The primary sources of receipts are grants received from the Department for Local Government.

Emergency 911 Fund - The purpose of this fund is to account for emergency 911 receipts and disbursements. The sole source of receipts for this fund is telephone tax.

Clerk Storage Fund - The purpose of this fund is to account for county clerk storage fees for the retention of deed room records in the county clerk's office. The primary source of receipts for this fund is collection of the storage fee collected by the county clerk on deed room transactions.

Opioid Fund - The purpose of this fund is to account for the county supporting opioid addition treatment and recovery services. The primary source of receipts for this fund are from national settlement with pharmaceutical distributors that played a role in creating and fueling the opioid epidemic.

American Rescue Plan Act Fund - The purpose of this fund is to account for Coronavirus state and local fiscal recovery funds and related disbursements. The primary source of receipts for this fund are federal Coronavirus grant funds. ADD descriptions for any additional funds.

HARLAN 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:

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

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

D. Budgetary Information

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

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

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

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

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

E. Harlan County Elected Officials

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

E. Harlan County Elected Officials Continued)

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

F. Deposits

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

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

G. Long-term Obligations

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

H. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the Harlan County Outdoor Recreation Board Authority (HCORBA) is considered a related organization of the Harlan County Fiscal Court.

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.

HARLAN 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	Local Government Economic Development Fund	ARPA Fund	Total Transfers In
Jail Fund	$ 296,750	$	$ 716,066	$ 1,012,816
Sinking Fund	349,313	502,330		851,643
Road Fund			315,599	315,599
General			1,154,559	1,154,559
Total Transfers Out	$ 646,063	$ 502,330	$ 2,186,224	$ 3,334,617

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 funds:

Louellen Escrow Fund – The fund is held by the Harlan County Fiscal Court for the Army Corps of Engineers for sewer projects located in Harlan County. The balance in the Louellen escrow fund as of June 30, 2025, was $226,648.

Cloverfork Escrow Fund – This fund is held by the Harlan County Fiscal Court for the Army Corps of Engineers for flood projects located in Harlan County. The balance in the Cloverfork escrow fund as of June 30, 2025, was $3,113.

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

Note 4. Custodial Funds (Continued)

Flood Control Fund – This fund is held by the Harlan County Fiscal Court for the Army Corps of Engineers for flood projects located in Harlan County. The balance in the flood control fund as of June 30, 2025, was $1,104.

City of Cumberland Hazard Mitigation Project – This fund is jointly held by the Harlan County Fiscal Court and a local banking institution for the City of Cumberland for assistance with various hazard mitigation activities to prevent flood damage, including but not limited to retrofitting sewage lift stations, construction of sewer lines, construction of concrete box culverts and ditching, installing weather warning sirens, and installing generators. The balance in the City of Cumberland hazard mitigation project as of June 30, 2025, was $4,019.

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 $5,090.

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

A. Leases – Lessor

The Harlan 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
Coldiron Spec Buildings	3/1/2025	5 Years	Monthly	3/1/2030	$ 3,000	$ 168,000

B. Leases – Lessee

1. The Harlan 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
Lawnvale Property	1/1/2023	4 Years	Monthly	12/31/2026	$ 300	$ 5,400
County Copier	11/14/2023	5 Years	Monthly	11/14/2028	$ 163	$ 8,658
Jail Copier	9/1/2023	5 Years	Monthly	9/1/2028	$ 228	$ 8,664

2. Lease Agreement - Enterprise FM Trust

On July 7, 2015, the Harlan County Fiscal Court entered into a lease agreement with Enterprise FM Trust to lease several vehicles for use by the Harlan County Fiscal Court. Enterprise FM Trust will, on or about the date of delivery of each vehicle to the county, include a schedule covering the vehicle, which will include a description of the vehicle, the lease term and the monthly rental and other payments due with respect to the vehicle. The agreement is a lease only and the county will not have right, title, or interest in or to the vehicles except for the use of the vehicles as described in the agreement. The lease term commences on the delivery date of the vehicle and ends either 60 or 48 months after the first full month rental payment date with an option to continue month-to-month for an unlimited period of time. During fiscal year 2025, the county leased 33 vehicles with a total lease outstanding lease balance of $679,801 as of June 30, 2025. The lease payments required under the leasing agreement for the fiscal years ending June 30, 2025, and thereafter are as follows:

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

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

B. Leases – Lessee (Continued)

2. Lease Agreement - Enterprise FM Trust (Continued)

Fiscal Year Ending June 30	Amount
2026	$197,035
2027	186,716
2028	157,805
2029	132,880
2030	5,365
Totals	$679,801

C. Subscription-Based Information Technology Arrangements (SBITA)

The Harlan County Fiscal Court was committed to the following SBITAs as of June 30, 2025:

Description	Effective Date	Length of Term	Frequency of Payments	Ending Date	Amount of Payments	Balance June 30, 2025
Avenu	3/1/2021	6 Years	Monthly	2/28/2027	$ 2,381	$ 55,648

Note 6. Long-term Debt

A. Direct Borrowings and Direct Placements

1. Kentucky Association of Counties (KACO) Lease Trust Program – Series 2018

On November 15, 2018, the Harlan County Fiscal Court entered into a financing agreement with Kentucky Association of Counties (KACo) leasing trust program in the amount of $5,065,000 for the refinance of the Kentucky Association of Counties (KACo) leasing trust, series 2008, and the refinance of the Kentucky Area Development District (KADD) lease, 2007 issue. In order to secure all of its obligations, the lessee grants to the lessor a first and prior security interest in any and all right, title, and interest of the lessee in the portion of the project that constitute personal property and, in all additions, attachments, accessories, and substitutions thereto, and on any proceeds therefrom. The debt requirements stipulate an annual principal payment and two semiannual interest payments with the lease termination date of February 1, 2038. As of June 30, 2025, the principal amount outstanding was $3,165,000. Debt service requirements for the fiscal year ending June 30, 2026, and thereafter are as follows:

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

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

1. Kentucky Association of Counties (KACO) Lease Trust Program – Series 2018 (Continued)

Fiscal Year Ending June 30	Principal	Scheduled Interest
2026	$ 360,000	$ 138,842
2027	380,000	119,443
2028	400,000	98,993
2029	425,000	79,493
2030	435,000	61,230
2031-2035	680,000	193,725
2036-2038	485,000	41,238
Totals	$ 3,165,000	$ 732,964

2. Financing Obligation – Truck

On December 13, 2023, the Harlan County Fiscal Court entered into a lease in the amount of $191,924 with an option to purchase with Magnolia Bank through Kentucky Association of Counties (KACo) Leasing Trust. The terms of the lease called for 18 months at an interest rate of 6.49% ending on June 20, 2025, to be secured by the truck. This loan called for monthly interest payments with the principal amount being due on June 20, 2025. This obligation was paid in full as of June 30, 2025.

B. Other Debt

1. Detention Center General Obligation Bond – 2013 Series

On May 7, 2013, the county issued $5,350,000 of general obligation bonds. These bonds were issued for the purpose of refinancing the general obligation bonds, series 2004, for the acquisition, construction, and equipping of construction of the detention center facility. The bonds require two semiannual interest payments be made on March 1 and September 1 of each year beginning September 1, 2013. Principal payments are due September 1 of each year until September 1, 2034. As of June 30, 2025, the principal amount outstanding was $2,950,000. Debt service requirements for the fiscal year ending June 30, 2026, and thereafter are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2026	$ 255,000	$ 87,619
2027	260,000	80,212
2028	265,000	72,338
2029	280,000	64,162
2030	290,000	55,612
2031-2035	1,600,000	133,532
Totals	$ 2,950,000	$ 493,475

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

Note 6. Long-term Debt (Continued)

B. Other Debt (Continued)

1. Justice Center Public Properties Corporation Refunding Revenue Bonds - 2010 Series

On November 23, 2010, the Harlan County Fiscal Court issued revenue bonds for the purpose of advanced refunding of the first mortgage revenue bonds, series 2002, associated with the justice center project. The principal amount of the refunding bonds when issued was $6,865,000 and interest varies from 2 percent to 3.5 percent. Interest payments are due each March 1 and each September 1 until March 2025. Principal payments are due with the March interest payment beginning in 2013. This obligation was paid in full as of June 30, 2025.

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	$ 3,701,924	$	$ 536,924	$ 3,165,000	$ 360,000
Other Debt	3,850,000		900,000	2,950,000	$ 255,000
Total Long-term Debt	$ 7,551,924	$ 0	$ 1,436,924	$ 6,115,000	$ 615,000

D. Aggregate Debt Schedule

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

	Other Debt		Direct Borrowings and Direct Placements	
Fiscal Year Ended June 30	Principal	Interest	Principal	Interest
2026	$ 255,000	$ 87,619	$ 360,000	$ 138,842
2027	260,000	80,212	380,000	119,443
2028	265,000	72,338	400,000	98,993
2029	280,000	64,162	425,000	79,493
2030	290,000	55,612	435,000	61,230
2031-2035	1,600,000	133,532	680,000	193,725
2036-2038			485,000	41,238
Totals	$ 2,950,000	$ 493,475	$ 3,165,000	$ 732,964

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

Note 7. Commitment Liability

On May 15, 2012, the Harlan County Fiscal Court, for and on behalf of the Harlan County Outdoor Recreation Board Authority (HCORBA) entered into a mortgage agreement with the Harlan Revitalization Association for $175,000 for financing of a zip-line located at the Black Mountain Off Road Adventure Area at Evarts, Kentucky. The loan is secured by county owned property. The HCORBA is responsible for debt payments to the Harlan Revitalization Association. As of June 30, 2025, the ending principal balance of the loan was $76,522.

Note 8. Commitment Debt – The Laurels Addition Project

On October 26, 2000, the Harlan County Fiscal Court adopted an ordinance authorizing the execution of an indenture of trust (indenture) between the Harlan County Fiscal Court (county) and the Bank of Harlan, Harlan, Kentucky, (trustee) under which bonds were authorized to be issued. Health Care Facility Revenue Bonds, Series 2000, were issued in the principal amount of $1,530,000. The bonds are a limited obligation of the Harlan County Fiscal Court payable solely from annual rental payments received from Laurels, Inc. The proceeds of the issue were applied to the cost of constructing a 32-bed personal care facility immediately adjacent to the existing Laurels Nursing Home.

The ordinance also authorizes the execution of a lease agreement by and among the county, as lessor, and the Laurels, Inc., as lessee. Under the lease, Laurels, Inc. will lease the project from the county for the term of the bonds, at annual rentals sufficient to pay the principal and interest requirements on the bonds as the same become due. The county pledged to provide a standby guarantee on the debt service for an initial term ending June 30, 2001. The bonds and related interest do not represent or constitute an indebtedness of Harlan County Fiscal Court. As of June 30, 2025, the outstanding principal balance due was $570,000.

Note 9. 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 $987,821, FY 2024 was $860,287, and FY 2025 was $821,121.

<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 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.

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

Note 9. Employee Retirement System (Continued)

Nonhazardous (Continued)

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%.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

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

Benefits are covered under KRS 78.5536.

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

Note 9. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

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

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

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

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

C. Cost of Living Adjustments - Tier 1

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

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

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

E. Death Benefit

If a retired member is receiving a monthly benefit based on at least 48 months of service credit, 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 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.

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

Note 10. Deferred Compensation

The Harlan 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 11. Insurance

For the fiscal year ended June 30, 2025, the Harlan 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. Legal Contingencies

The county is involved in multiple lawsuits, while individually they may not be significant, in the aggregate they could negatively or favorably 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 13. Reserved For Youth Activities

On January 11, 2010, the Harlan County Circuit Court ordered $500,000 to be donated to the Harlan County Fiscal Court from two defendants in a criminal action case. These funds were ordered to be designated for the sole use of drug abuse prevention through youth activities and facilities. These funds are maintained in the General Fund. During September 2016, funds were transferred into a certificate of deposit. The balance in the certificate of deposit as of June 30, 2025, was $575,769.

HARLAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2025

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HARLAN 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	$ 3,929,000	$ 3,929,000	$ 3,908,234	$ (20,766)
In Lieu Tax Payments	200	200	11,184	10,984
Excess Fees			45,870	45,870
Licenses and Permits	190,000	190,000	187,944	(2,056)
Intergovernmental	8,647,020	8,647,020	6,137,843	(2,509,177)
Charges for Services	1,568,000	1,568,000	1,529,063	(38,937)
Miscellaneous	291,000	291,000	498,592	207,592
Interest	50,000	50,000	204,015	154,015
Total Receipts	14,675,220	14,675,220	12,522,745	(2,152,475)
DISBURSEMENTS				
General Government	2,842,334	3,028,968	2,831,722	197,246
Protection to Persons and Property	154,664	204,210	178,173	26,037
General Health and Sanitation	2,224,000	2,350,686	1,805,732	544,954
Social Services	6,747,000	7,943,559	2,072,645	5,870,914
Recreation and Culture	1,476,000	1,167,657	713,596	454,061
Airports		174,251	172,203	2,048
Debt Service	122,000	122,095	110,602	11,493
Capital Projects	2,070,000	2,070,000	100,000	1,970,000
Administration	2,156,616	2,035,747	1,946,228	89,519
Total Disbursements	17,792,614	19,097,173	9,930,901	9,166,272
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(3,117,394)	(4,421,953)	2,591,844	7,013,797
Other Adjustments to Cash (Uses)				
Transfers From Other Funds		1,154,559	1,154,559	
Transfers To Other Funds	(1,472,013)	(1,472,013)	(646,063)	825,950
Total Other Adjustments to Cash (Uses)	(1,472,013)	(317,454)	508,496	825,950
Net Change in Fund Balance	(4,589,407)	(4,739,407)	3,100,340	7,839,747
Fund Balance - Beginning	4,589,407	4,739,407	6,479,125	1,739,718
Fund Balance - Ending	$ 0	$ 0	$ 9,579,465	$ 9,579,465

HARLAN 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				
In Lieu Tax Payments	$ 1,000	$ 1,000	$ 3,319	$ 2,319
Intergovernmental	1,983,595	1,983,595	2,068,360	84,765
Charges for Services	460,000	460,000	203,550	(256,450)
Interest	30,000	30,000	52,778	22,778
Total Receipts	2,474,595	2,474,595	2,328,007	(146,588)
DISBURSEMENTS				
Roads	2,049,800	2,426,322	1,689,698	736,624
Debt Service	315,000	345,007	345,006	1
Administration	501,100	470,170	390,237	79,933
Total Disbursements	2,865,900	3,241,499	2,424,941	816,558
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(391,305)	(766,904)	(96,934)	669,970
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds	185,000	185,000		(185,000)
Transfers From Other Funds		315,599	315,599	
Total Other Adjustments to Cash (Uses)	185,000	500,599	315,599	(185,000)
Net Change in Fund Balance	(206,305)	(266,305)	218,665	484,970
Fund Balance - Beginning	206,305	266,305	2,533,156	2,266,851
Fund Balance - Ending	$ 0	$ 0	$ 2,751,821	$ 2,751,821

HARLAN 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	$ 1,791,000	$ 1,791,000	$ 1,562,288	$ (228,712)
Charges for Services	33,500	33,500	47,736	14,236
Miscellaneous	121,500	121,500	115,631	(5,869)
Total Receipts	1,946,000	1,946,000	1,725,655	(220,345)
DISBURSEMENTS				
Protection to Persons and Property	2,203,000	2,966,504	2,159,448	807,056
Debt Service	7,500			
Administration	858,200	818,262	557,372	260,890
Total Disbursements	3,068,700	3,784,766	2,716,820	1,067,946
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,122,700)	(1,838,766)	(991,165)	847,601
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,122,700	1,838,766	1,012,816	(825,950)
Total Other Adjustments to Cash (Uses)	1,122,700	1,838,766	1,012,816	(825,950)
Net Change in Fund Balance			21,651	21,651
Fund Balance - Beginning			28,652	28,652
Fund Balance - Ending	$ 0	$ 0	$ 50,303	$ 50,303

HARLAN 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	Variance with Final Budget Positive
	Original	Final	Basis)	(Negative)
RECEIPTS				
Intergovernmental	$ 1,340,000	$ 1,340,000	$ 1,322,763	$ (17,237)
Miscellaneous			2,294	2,294
Interest	25,000	25,000	69,771	44,771
Total Receipts	1,365,000	1,365,000	1,394,828	29,828
DISBURSEMENTS				
General Government	22,500	25,000	23,031	1,969
Protection to Persons and Property	150,000	190,000	128,657	61,343
General Health and Sanitation	483,000	548,300	491,130	57,170
Social Services	500,000	423,700		423,700
Recreation and Culture	298,000	403,500	356,727	46,773
Debt Service	11,000	9,000	7,843	1,157
Administration	288,300	253,300	198,487	54,813
Total Disbursements	1,752,800	1,852,800	1,205,875	646,925
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(387,800)	(487,800)	188,953	676,753
Net Change in Fund Balance	(387,800)	(487,800)	188,953	676,753
Fund Balance - Beginning	387,800	487,800	3,480,914	2,993,114
Fund Balance - Ending	$ 0	$ 0	$ 3,669,867	$ 3,669,867

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

FEDERAL GRANTS FUND

	Budgeted Amounts		Actual Amounts, (Budgetary	Variance with Final Budget Positive
	Original	Final	Basis)	(Negative)
RECEIPTS				
Intergovernmental	$ 1,050,000	$ 1,050,000	$ 551,079	$ (498,921)
Interest	12	12	9	(3)
Total Receipts	1,050,012	1,050,012	551,088	(498,924)
DISBURSEMENTS				
General Health and Sanitation	1,050,012	1,050,012	551,110	498,902
Social Services	100,000	100,000		100,000
Total Disbursements	1,150,012	1,150,012	551,110	598,902
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(100,000)	(100,000)	(22)	99,978
Net Change in Fund Balance	(100,000)	(100,000)	(22)	99,978
Fund Balance - Beginning	100,000	100,000	99,156	(844)
Fund Balance - Ending	$ 0	$ 0	$ 99,134	$ 99,134

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

	SINKING FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	$	$	$ 1	$ 1
Total Receipts			1	1
DISBURSEMENTS				
Debt Service	851,643	851,643	851,643	
Total Disbursements	851,643	851,643	851,643	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(851,643)	(851,643)	(851,642)	1
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	851,643	851,643	851,643	
Total Other Adjustments to Cash (Uses)	851,643	851,643	851,643	
Net Change in Fund Balance			1	1
Fund Balance - Beginning			136	136
Fund Balance - Ending	$ 0	$ 0	$ 137	$ 137

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

LOCAL GOVERNMENT ECONOMIC DEVELOPMENT FUND

	Budgeted Amounts		Actual Amounts, (Budgetary	Variance with Final Budget Positive
	Original	Final	Basis)	(Negative)
RECEIPTS				
Intergovernmental	$ 4,911,738	$ 4,911,738	$ 2,035,181	$ (2,876,557)
Total Receipts	4,911,738	4,911,738	2,035,181	(2,876,557)
DISBURSEMENTS				
General Government	291,210	264,842	140,210	124,632
Protection to Persons and Property	3,500	8,200	4,518	3,682
General Health and Sanitation	836,500	851,400	334,878	516,522
Social Services	2,950,875	2,961,143	257,268	2,703,875
Recreation and Culture	664,653	661,153	116,876	544,277
Debt Service	165,000	165,000	165,000	
Total Disbursements	4,911,738	4,911,738	1,018,750	3,892,988
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			1,016,431	1,016,431
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(502,330)	(502,330)	(502,330)	
Total Other Adjustments to Cash (Uses)	(502,330)	(502,330)	(502,330)	
Net Change in Fund Balance	(502,330)	(502,330)	514,101	1,016,431
Fund Balance - Beginning	502,330	502,330	682,883	180,553
Fund Balance - Ending	$ 0	$ 0	$ 1,196,984	$ 1,196,984

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

	EMERGENCY 911 FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	$ 185,000	$ 185,000	$ 161,064	$ (23,936)
Intergovernmental	250,000	250,000	289,105	39,105
Miscellaneous			411	411
Interest	5,000	5,000	7,714	2,714
Total Receipts	440,000	440,000	458,294	18,294
DISBURSEMENTS				
Protection to Persons and Property	649,000	750,000	616,197	133,803
Administration	19,570	18,570	7,176	11,394
Total Disbursements	668,570	768,570	623,373	145,197
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(228,570)	(328,570)	(165,079)	163,491
Net Change in Fund Balance	(228,570)	(328,570)	(165,079)	163,491
Fund Balance - Beginning	228,570	328,570	913,445	584,875
Fund Balance - Ending	$ 0	$ 0	$ 748,366	$ 748,366

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

	CLERK STORAGE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Excess Fees	$ 25,000	$ 25,000	$ 21,980	$ (3,020)
Total Receipts	25,000	25,000	21,980	(3,020)
DISBURSEMENTS				
General Government	40,000	40,000	5,314	34,686
Total Disbursements	40,000	40,000	5,314	34,686
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(15,000)	(15,000)	16,666	31,666
Net Change in Fund Balance	(15,000)	(15,000)	16,666	31,666
Fund Balance - Beginning	15,000	15,000	40,555	25,555
Fund Balance - Ending	$ 0	$ 0	$ 57,221	$ 57,221

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

	OPIOID FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	$	$	$ 262,829	$ 262,829
Interest			19,786	19,786
Total Receipts			282,615	282,615
DISBURSEMENTS				
Social Services	42,000	41,700	33,311	8,389
Administration	43,353	43,653	19,378	24,275
Total Disbursements	85,353	85,353	52,689	32,664
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(85,353)	(85,353)	229,926	315,279
Net Change in Fund Balance	(85,353)	(85,353)	229,926	315,279
Fund Balance - Beginning	85,353	85,353	839,025	753,672
Fund Balance - Ending	$ 0	$ 0	$ 1,068,951	$ 1,068,951

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

AMERICAN RESCUE PLAN FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	$	$	$ 54,748	$ 54,748
Total Receipts			54,748	54,748
DISBURSEMENTS				
General Health and Sanitation	258,700	285,173	285,173	
Social Services	1,500,000			
Capital Projects	816,300	103,603		103,603
Total Disbursements	2,575,000	388,776	285,173	103,603
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(2,575,000)	(388,776)	(230,425)	158,351
Other Adjustments to Cash (Uses)				
Transfers To Other Funds		(2,186,224)	(2,186,224)	
Total Other Adjustments to Cash (Uses)		(2,186,224)	(2,186,224)	
Net Change in Fund Balance	(2,575,000)	(2,575,000)	(2,416,649)	158,351
Fund Balance - Beginning	2,575,000	2,575,000	2,571,397	(3,603)
Fund Balance - Ending	$ 0	$ 0	$ 154,748	$ 154,748

HARLAN 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.

HARLAN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2025

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HARLAN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2025

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. S. Department of Treasury				
Direct Program:				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027		$	$ 2,471,397
Total U.S. Department of Treasury				2,471,397
U. S. Department of Housing and Urban Development				
Passed-Through Kentucky Department for Local Government:				
Community Development Block Grant/State's Program-Wallins Sewer Project	14.228	23-038	$	$ 351,080
Community Development Block Grant/State's Program-Cumberland Hope Community	14.228	24-009	190,000	200,000
Total U.S. Department of Housing and Urban Development			190,000	551,080
U. S. Department of Homeland Security				
Passed-Through Kentucky Emergency Management:				
Federal Disaster Assistance to Individuals and Households in Presidential Declared Disaster Areas	97.048	NA	$	$ 7,492
Emergency Management Performance Grant	97.042	NA		40,502
Total U.S. Department of Homeland Security				47,994
Executive Office of the President				
Passed-Through Laurel County Fiscal Court:				
High Intensity Drug Trafficking Areas Program	95.001	NA	$	$ 23,377
High Intensity Drug Trafficking Areas Program- DEA Task Force	95.001	NA		1,684
Total Executive Office of the President				25,061
U. S. Department of the Interior				
Passed-Through Kentucky Department for Local Government:				
Abandoned Mine Land Reclamation (AMLR)	15.252	NA	$	$ 66,783
Total U.S. Department of the Interior				66,783
U. S. Department of Transportation				
Passed-Through Federal Aviation Administration:				
Airport Improvement Program, Infrastructure Investments and Jobs Act Programs, and COVID-19 Airport Programs	20.106	NA	$	$ 163,294
Total U.S. Department of Transportation				163,294
Total Expenditures of Federal Awards			$ 190,000	$ 3,325,609

The accompanying notes are an integral part of this schedule.

HARLAN COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2025

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Harlan County, Kentucky under programs of the federal government for the year ended June 30, 2025. 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 Harlan County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Harlan 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

Harlan 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.

HARLAN COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2025

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HARLAN 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	Additions	Deletions	Ending Balance
Vehicles & Equipment	$ 3,319,420	$ 496,087	$ 191,924	$ 3,623,583
Other Equipment	1,394,116	31,086		1,425,202
Land and Land Improvements	3,310,007			3,310,007
Buildings	21,820,310	3,853,664		25,673,974
Infrastructure	28,508,443	179,157		28,687,600
Total Capital Assets	$ 58,352,296	$ 4,559,994	$ 191,924	$ 62,720,366

HARLAN 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 and Land Improvements	$ 50,000	10-60
Buildings	$ 100,000	10-75
Other Equipment	$ 10,000	3-25
Vehicles and Equipment	$ 10,000	3-25
Infrastructure	$ 60,000	10-50

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF 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 Dan Mosley, Harlan County Judge/Executive
Members of the Harlan 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 Harlan County Fiscal Court for the fiscal year ended June 30, 2025 and the related notes to the financial statement which collectively comprise the Harlan County Fiscal Court's financial statement and have issued our report thereon dated March 23, 2026.

Report on Internal Control Over Financial Reporting

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

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 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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Report on Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Harlan 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*.

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

March 23, 2026

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANDE 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 Dan Mosley, Harlan County Judge/Executive
Members of the Harlan County Fiscal Court

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Harlan County Fiscal Court's compliance with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Harlan County Fiscal Court's major federal programs for the year ended June 30, 2025. The Harlan County Fiscal Court's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Harlan County Fiscal Court complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Harlan 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 Harlan County Fiscal Court's compliance with the compliance requirements referred to above.

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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 Harlan 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 Harlan 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 Harlan 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 Harlan 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 Harlan 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 Harlan 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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Report on Internal Control over Compliance (Continued)

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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,
Allison Ball
Allison Ball
Auditor of Public Accounts
Frankfort, Ky

March 23, 2026

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HARLAN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2025

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Harlan COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2025

Section I: Summary of Auditor's Results

Financial Statement

Type of report the auditor issued on whether the financial statement was prepared in accordance with GAAP: Adverse on GAAP and Unmodified on Regulatory Basis

Internal control over financial reporting:

Are any material weaknesses identified?	☐Yes	☑ No
Are any significant deficiencies identified?	☐ Yes	☑None Reported
Are any noncompliances material to financial statements noted?	☐Yes	☑ No

Federal Awards

Internal control over major programs:

Are any material weaknesses identified?	☐ Yes	☑ No
Are any significant deficiencies identified?	☐ Yes	☑None Reported
Type of auditor's report issued on compliance for major federal programs: Unmodified		
Are any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	☐Yes	☑No

Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000	
Auditee qualified as a low-risk auditee?	☐ Yes	☑ No

HARLAN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2025
(Continued)

Section II: Financial Statement Findings

None.

Section III: Federal Award Findings And Questioned Costs

None.

Section IV: Summary Schedule of Prior Audit Findings

None.

CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAM

HARLAN COUNTY FISCAL COURT

For The Year Ended June 30, 2025

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CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAM

COUNTY FISCAL COURT

For The Year Ended June 30, 2025

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

County Judge/Executive

County Treasurer