

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

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



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

Independent Auditor's Report

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Joe Choate, Hart County Judge/Executive
Members of the Hart 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 Hart County Fiscal Court, for the year ended June 30, 2024, and the related notes to the financial statement, which collectively comprise the Hart 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 Hart County Fiscal Court, for the year ended June 30, 2024, in accordance with accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Hart County Fiscal Court, for the year ended June 30, 2024, or the changes in financial position and cash flows thereof for the year then ended.

Basis for Opinions

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



To the People of Kentucky
The Honorable Andy Beshear, Governor
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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 Hart 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

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

To the People of Kentucky
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 The Honorable Joe Choate, Hart County Judge/Executive
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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 Hart 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 Hart 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 16, 2025, on our consideration of the Hart 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 Hart 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:

2024-001 The Hart County Fiscal Court Did Not Approve All Cash Transfers
2024-002 The Hart County Fiscal Court Lacks Internal Controls Over Payroll

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

June 16, 2025

HART COUNTY OFFICIALS
For The Year Ended June 30, 2024

Fiscal Court Members:

Joe Choate	County Judge/Executive
Kate Kenny	Magistrate
Ricky Alvey	Magistrate
Ronald Riordan	Magistrate
Doug Wells	Magistrate
Lee Miles	Magistrate

Other Elected Officials:

Justin Baird	County Attorney
Israel Bergenson	Jailer
Felicia Shelton	County Clerk
Kayla Rountree	Circuit Court Clerk
Jeff Wilson	Sheriff
Cindy Atwell	Property Valuation Administrator
Anthony Roberts	Coroner

Appointed Personnel:

Tresia Weber	County Treasurer
Anthony Wilson	Occupational Tax Administrator

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

For The Year Ended June 30, 2024

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

For The Year Ended June 30, 2024

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 4,009,516	\$	\$
In Lieu Tax Payments	77,875		
Licenses and Permits	105,270		
Intergovernmental	320,193	2,423,660	1,882,737
Charges for Services	1,000		224,167
Miscellaneous	365,222	26,256	160,536
Interest	169,358	44,066	12,517
Total Receipts	<u>5,048,434</u>	<u>2,493,982</u>	<u>2,279,957</u>
DISBURSEMENTS			
General Government	1,949,657		
Protection to Persons and Property	202,132		1,976,403
General Health and Sanitation	278,833		
Social Services	9,756		
Recreation and Culture	7,850		
Roads		2,339,606	
Debt Service	38,362	54,399	
Capital Projects	197,500		
Administration	646,756	336,156	653,286
Total Disbursements	<u>3,330,846</u>	<u>2,730,161</u>	<u>2,629,689</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,717,588</u>	<u>(236,179)</u>	<u>(349,732)</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds	735,859	200,000	
Transfers To Other Funds	(1,486,101)		
Total Other Adjustments to Cash (Uses)	<u>(750,242)</u>	<u>200,000</u>	
Net Change in Fund Balance	967,346	(36,179)	(349,732)
Fund Balance - Beginning (Restated)	<u>4,146,556</u>	<u>939,100</u>	<u>541,531</u>
Fund Balance - Ending	<u>\$ 5,113,902</u>	<u>\$ 902,921</u>	<u>\$ 191,799</u>
Composition of Fund Balance			
Bank Balance	\$ 2,083,259	\$ 908,767	\$ 232,946
Plus: Deposits In Transit			
Less: Outstanding Checks	(89,840)	(5,846)	(41,147)
Money Market	<u>3,120,483</u>		
Fund Balance - Ending	<u>\$ 5,113,902</u>	<u>\$ 902,921</u>	<u>\$ 191,799</u>

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

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

Budgeted Funds						
Local Government Economic Assistance Fund	Grants Fund	911 Fund	Sheriff Department Fund	County Clerk Fund	Animal Shelter Fund	County Clerk Storage Fee Fund
\$	\$	\$ 263,072	\$	\$	\$	\$
66,279	192,711	10,000	1,153,899	635,139	1,707	
	2,153		12,597	4,979	17,007	
5,995		10,069	3,918	8,540	33,715	37,750
<u>72,274</u>	<u>194,864</u>	<u>283,141</u>	<u>1,170,414</u>	<u>648,658</u>	<u>56,673</u>	<u>39,538</u>
63,000	1,067		1,185,313	635,991		
	48,021	363,331				
65,600					204,336	
302,384	78,499					
			58,791			
	65,180	1,086	467,979	172,061	67,560	
<u>430,984</u>	<u>192,767</u>	<u>364,417</u>	<u>1,712,083</u>	<u>808,052</u>	<u>271,896</u>	
(358,710)	2,097	(81,276)	(541,669)	(159,394)	(215,223)	39,538
380,000	123,971	204,506	581,750		200,380	
	(187,364)		(830)			
<u>380,000</u>	<u>(63,393)</u>	<u>204,506</u>	<u>580,920</u>		<u>200,380</u>	
21,290	(61,296)	123,230	39,251	(159,394)	(14,843)	39,538
22,085	65,180	219,322	150,331	313,109	35,814	33,448
<u>\$ 43,375</u>	<u>\$ 3,884</u>	<u>\$ 342,552</u>	<u>\$ 189,582</u>	<u>\$ 153,715</u>	<u>\$ 20,971</u>	<u>\$ 72,986</u>
\$ 59,125	\$ 3,884	\$ 342,985	\$ 193,978	\$ 182,867	\$ 22,203	\$ 72,986
(15,750)		(433)	(4,396)	(29,152)	112	
					(1,344)	
<u>\$ 43,375</u>	<u>\$ 3,884</u>	<u>\$ 342,552</u>	<u>\$ 189,582</u>	<u>\$ 153,715</u>	<u>\$ 20,971</u>	<u>\$ 72,986</u>

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

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

	Budgeted Funds		
	Tourism Fund	Opioid Settlement Fund	American Rescue Plan Act Fund
RECEIPTS			
Taxes	\$ 163,714	\$	\$
In Lieu Tax Payments			
Licenses and Permits			
Intergovernmental			50,000
Charges for Services			
Miscellaneous		105,602	
Interest	1,268	4,253	4,434
Total Receipts	164,982	109,855	54,434
DISBURSEMENTS			
General Government			
Protection to Persons and Property			
General Health and Sanitation			
Social Services			
Recreation and Culture	163,700		
Roads			
Debt Service			
Capital Projects			
Administration			
Total Disbursements	163,700		
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	1,282	109,855	54,434
Other Adjustments to Cash (Uses)			
Transfers From Other Funds			
Transfers To Other Funds		(1,000)	(751,171)
Total Other Adjustments to Cash (Uses)		(1,000)	(751,171)
Net Change in Fund Balance	1,282	108,855	(696,737)
Fund Balance - Beginning (Restated)	41,322	101,265	696,737
Fund Balance - Ending	\$ 42,604	\$ 210,120	\$ 0
Composition of Fund Balance			
Bank Balance	\$ 44,680	\$ 210,120	\$
Plus: Deposits In Transit			
Less: Outstanding Checks	(2,076)		
Money Market			
Fund Balance - Ending	\$ 42,604	\$ 210,120	\$ 0

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

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

<u>Unbudgeted Funds</u>		
<u>Public Properties Corporation Fund</u>	<u>Jail Commissary Fund</u>	<u>Total Funds</u>
\$	\$	\$
		4,436,302
		77,875
		105,270
874,700		7,601,025
		252,174
	288,661	1,037,471
		270,450
<u>874,700</u>	<u>288,661</u>	<u>13,780,567</u>
		3,835,028
		2,589,887
		548,769
		9,756
	294,284	846,717
		2,339,606
872,500		1,024,052
		197,500
<u>2,200</u>		<u>2,412,264</u>
<u>874,700</u>	<u>294,284</u>	<u>13,803,579</u>
	(5,623)	(23,012)
		2,426,466
		(2,426,466)
	(5,623)	(23,012)
	164,109	7,469,909
<u>\$ 0</u>	<u>\$ 158,486</u>	<u>\$ 7,446,897</u>
\$	\$	\$
	161,155	4,518,955
		112
	(2,669)	(192,653)
		3,120,483
<u>\$ 0</u>	<u>\$ 158,486</u>	<u>\$ 7,446,897</u>

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

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TO THE FINANCIAL STATEMENT**

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**HART COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2024

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Hart County includes all budgeted and unbudgeted funds under the control of the Hart 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 following entities: Hart County Industrial Authority, Inc., Hart County Solid Waste Management District, and Hart County Tourism Commission would have been included in the reporting entity under accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. However, under the regulatory basis, they no longer are required components of the reporting entity. Audits of the following entities can be obtained from the Hart County Fiscal Court at 200 Main Street Munfordville, Kentucky 42765.

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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal governments, 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.

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

911 Fund - The primary purpose of this fund is to account for the dispatch expenses of the county. The primary sources of receipts for this fund are the 911 telephone surcharge.

Sheriff Department Fund - The primary purpose of this fund is to account for the receipts and disbursements associated with the operation of the sheriff's department.

County Clerk Fund - The primary purpose of this fund is to account for the receipts and disbursements associated with the operation of the county clerk's office.

Animal Shelter Fund - The primary purpose of this fund is to account for the receipts and disbursements associated with the operation of the animal shelter.

County Clerk Storage Fee Fund - The primary purpose of this fund is to account for county clerk storage fees. The primary source of receipts for this fund is the county clerk.

Tourism Fund - The primary purpose of this fund is to account for tourism taxes collected and then passed through to the tourism commission.

Opioid Settlement Fund - The primary purpose of this fund is to account for funds used to combat the county's opioid crisis. Receipts of this fund are received from the state as a result of the state's agreement with major opioid manufacturers and distributors.

American Rescue Plan Act Fund - The primary purpose of this fund is to account for the American Rescue Plan Act grant receipts and disbursements. The primary source of receipts for this fund is from the American Rescue Plan Act grant.

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

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

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.

E. Hart County Elected Officials

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments

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

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

G. Long-term Obligations

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

H. Related Organization and Jointly Governed 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 Hart County Ambulance Service Taxing District is considered a related organization of the Hart County Fiscal Court.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants do not retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a jointly governed organization. Based on these criteria, the Green River Valley Water District is considered a jointly governed organization of the Hart 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.

HART COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(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 the DLG's *County Budget Preparation and State Local Finance Officer Policy Manual*. As of June 30, 2024, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Transfers

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

	General Fund	Grants Fund	Opioid Settlement Fund	Sheriff Department Fund	American Rescue Plan Fund	Total Transfers In
General Fund	\$	\$ 187,364	\$ 1,000	\$	\$ 547,495	\$ 735,859
Road Fund	200,000					200,000
LGEA Fund	380,000					380,000
Grants Fund	123,971					123,971
911 Fund				830	203,676	204,506
Sheriff Department Fund	581,750					581,750
Animal Shelter Fund	200,380					200,380
Total Transfers Out	<u>\$ 1,486,101</u>	<u>\$ 187,364</u>	<u>\$ 1,000</u>	<u>\$ 830</u>	<u>\$ 751,171</u>	<u>\$ 2,426,466</u>

Reason for transfers:

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

Note 4. Custodial Funds

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

The fiscal court has the following custodial fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2024, was \$85,022.

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

Note 5. Lease

Lessor

In August 2013, the Hart County Public Properties Corporation (the corporation), a blended component unit of the fiscal court, began leasing the judicial center to the Administrative Office of the Courts (AOC). The lease period is for two-year period and the rental payments shall agree to the annual principal and interest costs on the bonds issued for the financing of the building construction. On July 1 of each even numbered year, the lease may be renewed by AOC, for another biennial period of two years. The lease renewal shall automatically be considered to have been affirmatively exercised each even numbered year by AOC, unless notice of its election not to exercise the option for the biennial period be given by AOC to the corporation, the trustee, and the county in writing at least 60 days prior to the renewal date hereof. The corporation recognized \$872,500 in lease revenue during the current fiscal year. As of June 30, 2024, the corporation's receivable for lease payments was zero. As of July 1, 2024, the lease was renewed for a two-year period with lease valued revenues totaling \$2,625,150.

Note 6. Long-term Debt

A. Direct Borrowings and Direct Placements

1. Sheriff Building – Bank Note

The Hart County Fiscal Court entered into an agreement on May 31, 2019, to acquire a building for the sheriff's department in the amount of \$402,117. A promissory note was signed at a fixed interest rate of 4.25% for a period of eight years maturing on May 31, 2027. The purchase agreement requires that one principal payment is due per year and interest payments being due quarterly. In the case of default, the remaining balance due becomes payable immediately and the property being held as collateral under a mortgage. As of June 30, 2024, the principal balance was \$151,852. Future principal and interest requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2025	\$ 50,000	\$ 6,551
2026	50,000	4,329
2027	50,000	2,204
2028	<u>1,852</u>	<u>79</u>
Totals	<u>\$ 151,852</u>	<u>\$ 13,163</u>

2. Backhoe

On December 19, 2020, the Hart County Fiscal Court entered into a 36 month lease agreement for a backhoe loader. The agreement calls for interest only payments of \$313 per month commencing on December 19, 2020, terminating on December 19, 2023. The county has the option to purchase the backhoe at the end of the agreement for \$50,000. The agreement is a lease with a buy option and the county will not have the right, title, or interest in or to the machine except for the use of the vehicle as described in the agreement. The machine will be repossessed if the county defaults on payments. The county opted to purchase the backhoe on February 8, 2024, for \$50,000.

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

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

3. Financing Obligation (Library)

The Hart County Fiscal Court entered into a lease agreement on October 22, 2015, with the Kentucky Association of Counties Finance Corporation through Financing Program Revenue Bonds Series 2015C in the amount of \$635,000 on behalf of the Hart County Library District to fund the construction of the library. A sublease agreement was signed on April 9, 2015, between the Hart County Fiscal Court and the Hart County Library District which requires the Hart County Library District to make the payments on the lease. Interest is payable semi-annually on December 20 and June 20 of each year. Principal is payable annually on December 20 of each year. The termination date of the lease is December 20, 2034. In the case of default payments are accelerated and the total outstanding becomes due immediately. As of June 30, 2024, the principal balance was \$400,000. Future principal and interest requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2025	\$ 30,000	\$ 12,725
2026	30,000	11,825
2027	35,000	10,850
2028	35,000	9,756
2029	35,000	8,619
2030-2034	190,000	24,850
2035	45,000	788
Totals	<u>\$ 400,000</u>	<u>\$ 79,413</u>

B. Other Debt

1. First Mortgage Revenue Refunding Bonds, Series 2015 (Judicial Center Project)

Hart County Public Properties Corporation, an agency and instrumentality of the Hart County Fiscal Court, issued First Mortgage Revenue Refunding Bonds, Series 2015, dated February 19, 2015, for the purpose of refinancing the First Mortgage Revenue Bonds, Series 2007 issue. On February 19, 2015, \$7,290,000 of first mortgage revenue bonds were issued. Interest is payable semi-annually on October 1 and April 1 of each year at rate of 3.00%. Principal is payable annually on April 1 of each year. The maturity date is April 1, 2027. The Corporation entered into an annually renewable Memorandum of Understanding with the Administrative Office of The Courts (AOC), Commonwealth of Kentucky, for rental payments sufficient to pay 100% of the debt service on the bonds. In the case of default payments are accelerated and the total outstanding becomes due immediately. As of June 30, 2024, bonds outstanding were \$2,475,000. Future principal and interest requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2025	\$ 800,000	\$ 74,250
2026	820,000	50,250
2027	855,000	25,650
Totals	<u>\$ 2,475,000</u>	<u>\$ 150,150</u>

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

Note 6. Long-term Debt (Continued)

C. Changes In Long-term Debt

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

	(Restated*) Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements*	\$ 681,852	\$	\$ 130,000	\$ 551,852	\$ 80,000
Revenue Bonds*	3,250,000		775,000	2,475,000	800,000
Total Long-term Debt	<u>\$ 3,931,852</u>	<u>\$ 0</u>	<u>\$ 905,000</u>	<u>\$ 3,026,852</u>	<u>\$ 880,000</u>

* The prior beginning balance was restated by \$430,000 due to moving from revenue bonds to direct borrowings and direct placements.

D. Aggregate Debt Schedule

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

Fiscal Year Ended June 30	Other Debt		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2025	\$ 800,000	\$ 74,250	\$ 80,000	\$ 19,276
2026	820,000	50,250	80,000	16,154
2027	855,000	25,650	85,000	13,054
2028			36,852	9,835
2029			35,000	8,619
2030-2034			190,000	24,850
2035			45,000	788
Totals	<u>\$ 2,475,000</u>	<u>\$ 150,150</u>	<u>\$ 551,852</u>	<u>\$ 92,576</u>

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

Note 7. Employee Retirement System

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

The county's contribution for FY 2022 was \$766,024, FY 2023 was \$857,368, and FY 2024 was \$782,865.

Nonhazardous

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

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

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

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

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

Note 7. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (Continued)

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

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

Benefits are covered under KRS 78.5536.

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

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

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

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

C. Cost of Living Adjustments - Tier 1

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

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

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

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

Note 7. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

E. Death Benefit

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

F. Annual Financial Report and Proportionate Share Audit Report

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

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

Note 8. Deferred Compensation

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

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

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

Note 9. Insurance

For the fiscal year ended June 30, 2024, the Hart 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.

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

Note 10. Prior Period Adjustments

The beginning balances of the General, Road, Jail, and County Clerk Fund were increased by the following amounts due to voided checks, \$640, \$914, \$35, and \$1,009, respectively. The General Fund was also decreased by \$353 for a prior year deposit error.

Note 11. Related Party Transaction

The Hart County Fiscal Court has an employee who performs contract labor with a district of the county as a CPA for bookkeeping and payroll services. This employee was also paid \$1,000 by the fiscal court during fiscal year 2024 for the county to use the employee personal payroll subscription for one year for cost savings to the county.

Note 12. Contingencies

The county is involved in a current lawsuit. While individually it may not be significant, in the aggregate it 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.

HART COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2024

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HART COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2024

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 2,752,000	\$ 2,752,000	\$ 4,009,516	\$ 1,257,516
In Lieu Tax Payments	52,000	52,000	77,875	25,875
Licenses and Permits	70,000	70,000	105,270	35,270
Intergovernmental	307,100	307,100	320,193	13,093
Charges for Services	1,000	1,000	1,000	
Miscellaneous	198,125	439,640	365,222	(74,418)
Interest	10,000	10,000	169,358	159,358
Total Receipts	3,390,225	3,631,740	5,048,434	1,416,694
DISBURSEMENTS				
General Government	1,826,019	2,123,796	1,949,657	174,139
Protection to Persons and Property	137,772	354,285	202,132	152,153
General Health and Sanitation	277,833	278,833	278,833	
Social Services	10,500	12,500	9,756	2,744
Recreation and Culture	7,850	7,850	7,850	
Debt Service	140,125	50,025	38,362	11,663
Capital Projects		197,500	197,500	
Administration	584,000	779,320	646,756	132,564
Total Disbursements	2,984,099	3,804,109	3,330,846	473,263
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	406,126	(172,369)	1,717,588	1,889,957
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	200,000	200,000	735,859	535,859
Transfers To Other Funds	(1,362,130)	(1,362,130)	(1,486,101)	(123,971)
Total Other Adjustments to Cash (Uses)	(1,162,130)	(1,162,130)	(750,242)	411,888
Net Change in Fund Balance	(756,004)	(1,334,499)	967,346	2,301,845
Fund Balance - Beginning (Restated)	756,004	956,004	4,146,556	3,190,552
Fund Balance - Ending	\$ 0	\$ (378,495)	\$ 5,113,902	\$ 5,492,397

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

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 2,001,743	\$ 2,001,743	\$ 2,423,660	\$ 421,917
Miscellaneous	53,000	53,000	26,256	(26,744)
Interest	5,000	5,000	44,066	39,066
Total Receipts	2,059,743	2,059,743	2,493,982	434,239
DISBURSEMENTS				
Roads	2,405,380	2,684,919	2,339,606	345,313
Debt Service	2,000	54,661	54,399	262
Administration	452,363	458,349	336,156	122,193
Total Disbursements	2,859,743	3,197,929	2,730,161	467,768
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(800,000)	(1,138,186)	(236,179)	902,007
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	200,000	200,000	200,000	
Total Other Adjustments to Cash (Uses)	200,000	200,000	200,000	
Net Change in Fund Balance	(600,000)	(938,186)	(36,179)	902,007
Fund Balance - Beginning (Restated)	600,000	938,186	939,100	914
Fund Balance - Ending	\$ 0	\$ 0	\$ 902,921	\$ 902,921

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

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 2,254,000	\$ 2,254,000	\$ 1,882,737	\$ (371,263)
Charges for Services	280,000	280,000	224,167	(55,833)
Miscellaneous	164,500	164,500	160,536	(3,964)
Interest	1,500	1,500	12,517	11,017
Total Receipts	<u>2,700,000</u>	<u>2,700,000</u>	<u>2,279,957</u>	<u>(420,043)</u>
DISBURSEMENTS				
Protection to Persons and Property	2,184,000	2,195,374	1,976,403	218,971
Administration	<u>716,000</u>	<u>1,046,121</u>	<u>653,286</u>	<u>392,835</u>
Total Disbursements	<u>2,900,000</u>	<u>3,241,495</u>	<u>2,629,689</u>	<u>611,806</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(200,000)</u>	<u>(541,495)</u>	<u>(349,732)</u>	<u>191,763</u>
Net Change in Fund Balance	(200,000)	(541,495)	(349,732)	191,763
Fund Balance - Beginning (Restated)	<u>200,000</u>	<u>541,495</u>	<u>541,531</u>	<u>36</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 191,799</u>	<u>\$ 191,799</u>

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

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 30,000	\$ 30,000	\$ 66,279	\$ 36,279
Interest	1,000	1,000	5,995	4,995
Total Receipts	31,000	31,000	72,274	41,274
DISBURSEMENTS				
General Government	63,000	63,000	63,000	
General Health and Sanitation	65,600	65,600	65,600	
Recreation and Culture	302,384	302,384	302,384	
Administration	16	2,101		2,101
Total Disbursements	431,000	433,085	430,984	2,101
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(400,000)	(402,085)	(358,710)	43,375
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	380,000	380,000	380,000	
Total Other Adjustments to Cash (Uses)	380,000	380,000	380,000	
Net Change in Fund Balance	(20,000)	(22,085)	21,290	43,375
Fund Balance - Beginning	20,000	22,085	22,085	
Fund Balance - Ending	\$ 0	\$ 0	\$ 43,375	\$ 43,375

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

GRANTS FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 2,541,100	\$ 2,541,100	\$ 192,711	\$ (2,348,389)
Miscellaneous			2,153	2,153
Total Receipts	2,541,100	2,541,100	194,864	(2,346,236)
DISBURSEMENTS				
General Government	2,430,000	2,389,254	1,067	2,388,187
Protection to Persons and Property	17,500	58,246	48,021	10,225
Recreation and Culture	93,600	93,600	78,499	15,101
Administration	293,196	65,180	65,180	
Total Disbursements	2,834,296	2,606,280	192,767	2,413,513
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(293,196)	(65,180)	2,097	67,277
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			123,971	123,971
Transfers To Other Funds			(187,364)	(187,364)
Total Other Adjustments to Cash (Uses)			(63,393)	(63,393)
Net Change in Fund Balance	(293,196)	(65,180)	(61,296)	3,884
Fund Balance - Beginning	293,196	65,180	65,180	
Fund Balance - Ending	\$ 0	\$ 0	\$ 3,884	\$ 3,884

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

911 FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 240,000	\$ 240,000	\$ 263,072	\$ 23,072
Charges for Services	10,000	10,000	10,000	
Interest	750	750	10,069	9,319
Total Receipts	250,750	250,750	283,141	32,391
DISBURSEMENTS				
Protection to Persons and Property	377,700	554,926	363,331	191,595
Administration	23,050	88,822	1,086	87,736
Total Disbursements	400,750	643,748	364,417	279,331
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(150,000)	(392,998)	(81,276)	311,722
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			204,506	204,506
Total Other Adjustments to Cash (Uses)			204,506	204,506
Net Change in Fund Balance	(150,000)	(392,998)	123,230	516,228
Fund Balance - Beginning	150,000	219,322	219,322	
Fund Balance - Ending	\$ 0	\$ (173,676)	\$ 342,552	\$ 516,228

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

SHERIFF DEPARTMENT FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,079,500	\$ 1,079,500	\$ 1,153,899	\$ 74,399
Miscellaneous	10,000	10,000	12,597	2,597
Interest	2,000	2,000	3,918	1,918
Total Receipts	1,091,500	1,091,500	1,170,414	78,914
DISBURSEMENTS				
General Government	1,218,050	1,242,580	1,185,313	57,267
Debt Service	58,700	58,970	58,791	179
Administration	496,500	522,031	467,979	54,052
Total Disbursements	1,773,250	1,823,581	1,712,083	111,498
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(681,750)	(732,081)	(541,669)	190,412
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	581,750	581,750	581,750	
Transfers To Other Funds			(830)	(830)
Total Other Adjustments to Cash (Uses)	581,750	581,750	580,920	(830)
Net Change in Fund Balance	(100,000)	(150,331)	39,251	189,582
Fund Balance - Beginning	100,000	150,331	150,331	
Fund Balance - Ending	\$ 0	\$ 0	\$ 189,582	\$ 189,582

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

COUNTY CLERK FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 530,000	\$ 530,000	\$ 635,139	\$ 105,139
Miscellaneous			4,979	4,979
Interest	1,500	1,500	8,540	7,040
Total Receipts	531,500	531,500	648,658	117,158
DISBURSEMENTS				
General Government	604,200	668,800	635,991	32,809
Administration	227,300	174,800	172,061	2,739
Total Disbursements	831,500	843,600	808,052	35,548
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(300,000)	(312,100)	(159,394)	152,706
Net Change in Fund Balance	(300,000)	(312,100)	(159,394)	152,706
Fund Balance - Beginning (Restated)	300,000	312,100	313,109	1,009
Fund Balance - Ending	\$ 0	\$ 0	\$ 153,715	\$ 153,715

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

ANIMAL SHELTER FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 50	\$ 50	\$ 1,707	\$ 1,657
Charges for Services	15,000	15,000	17,007	2,007
Miscellaneous	4,000	29,320	33,715	4,395
Interest	500	500	4,244	3,744
Total Receipts	19,550	44,870	56,673	11,803
DISBURSEMENTS				
General Health and Sanitation	189,030	212,835	204,336	8,499
Administration	55,900	68,229	67,560	669
Total Disbursements	244,930	281,064	271,896	9,168
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(225,380)	(236,194)	(215,223)	20,971
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	200,380	200,380	200,380	
Total Other Adjustments to Cash (Uses)	200,380	200,380	200,380	
Net Change in Fund Balance	(25,000)	(35,814)	(14,843)	20,971
Fund Balance - Beginning	25,000	35,814	35,814	
Fund Balance - Ending	\$ 0	\$ 0	\$ 20,971	\$ 20,971

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

COUNTY CLERK STORAGE FEE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 32,000	\$ 32,000	\$ 37,750	\$ 5,750
Interest	75	75	1,788	1,713
Total Receipts	32,075	32,075	39,538	7,463
DISBURSEMENTS				
General Government	60,075	65,523		65,523
Total Disbursements	60,075	65,523		65,523
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(28,000)	(33,448)	39,538	72,986
Net Change in Fund Balance	(28,000)	(33,448)	39,538	72,986
Fund Balance - Beginning	28,000	33,448	33,448	
Fund Balance - Ending	\$ 0	\$ 0	\$ 72,986	\$ 72,986

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

TOURISM FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 180,000	\$ 180,000	\$ 163,714	\$ (16,286)
Interest			1,268	1,268
Total Receipts	180,000	180,000	164,982	(15,018)
DISBURSEMENTS				
Recreation and Culture	200,000	221,322	163,700	57,622
Total Disbursements	200,000	221,322	163,700	57,622
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(20,000)	(41,322)	1,282	42,604
Net Change in Fund Balance	(20,000)	(41,322)	1,282	42,604
Fund Balance - Beginning	20,000	41,322	41,322	
Fund Balance - Ending	\$ 0	\$ 0	\$ 42,604	\$ 42,604

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

OPIOID SETTLEMENT FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Miscellaneous	\$ 24,000	\$ 24,000	\$ 105,602	\$ 81,602
Interest			4,253	4,253
Total Receipts	24,000	24,000	109,855	85,855
DISBURSEMENTS				
Administration	125,000	124,265		124,265
Total Disbursements	125,000	124,265		124,265
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(101,000)	(100,265)	109,855	210,120
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(1,000)	(1,000)
Total Other Adjustments to Cash (Uses)			(1,000)	(1,000)
Net Change in Fund Balance	(101,000)	(100,265)	108,855	209,120
Fund Balance - Beginning	101,000	101,265	101,265	
Fund Balance - Ending	\$ 0	\$ 1,000	\$ 210,120	\$ 209,120

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

AMERICAN RESCUE PLAN FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 50,000	\$ 50,000	\$ 50,000	\$
Interest	10,000	10,000	4,434	(5,566)
Total Receipts	60,000	60,000	54,434	(5,566)
DISBURSEMENTS				
Administration	1,775,000	5,566		5,566
Total Disbursements	1,775,000	5,566		5,566
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,715,000)	54,434	54,434	
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(200,000)	(200,000)	(751,171)	(551,171)
Total Other Adjustments to Cash (Uses)	(200,000)	(200,000)	(751,171)	(551,171)
Net Change in Fund Balance	(1,915,000)	(145,566)	(696,737)	(551,171)
Fund Balance - Beginning	1,915,000	696,737	696,737	
Fund Balance - Ending	\$ 0	\$ 551,171	\$ 0	\$ (551,171)

HART COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2024

Note 1. Budgetary Information

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

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

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

HART COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2024

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HART COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2024

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 675,952	\$	\$	\$ 675,952
Buildings and Building Improvements	16,784,477			16,784,477
Other Equipment	3,429,629	302,160	454,290	3,277,499
Vehicles and Equipment	1,645,818	164,221		1,810,039
Infrastructure	13,950,917	347,467		14,298,384
 Total Capital Assets	 <u>\$ 36,486,793</u>	 <u>\$ 813,848</u>	 <u>\$ 454,290</u>	 <u>\$ 36,846,351</u>

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

June 30, 2024

Note 1. Capital Assets

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

	Capitalization Threshold	Useful Life (Years)
Land and Land Improvements	\$ 12,500	10-60
Buildings and Improvements	\$ 25,000	10-75
Other Equipment	\$ 5,000	3-25
Vehicles and Equipment	\$ 5,000	3-25
Infrastructure	\$ 20,000	10-50

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

The Honorable Joe Choate, Hart County Judge/Executive
Members of the Hart 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 Hart County Fiscal Court for the fiscal year ended June 30, 2024, and the related notes to the financial statement which collectively comprise the Hart County Fiscal Court's financial statement and have issued our report thereon dated June 16, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Hart 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 Hart County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hart 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 2024-001 and 2024-002 to be material weaknesses.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards*
(Continued)

Report on Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Hart 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 2024-001 and 2024-002.

Views of Responsible Official and Planned Corrective Action

Government Auditing Standards requires the auditor to perform limited procedures on the Hart 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
Auditor of Public Accounts
Frankfort, Ky

June 16, 2025

**HART COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2024

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**HART COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2024

FINANCIAL STATEMENT FINDINGS:

2024-001 The Hart County Fiscal Court Did Not Approve All Cash Transfers

The Hart County Fiscal Court did not authorize and approve all cash transfers prior to transfers being made. Out of nine cash transfers tested, six transfers totaling \$1,670,709 were not approved by the fiscal court and one transfer in the amount of \$197,500 was made prior to fiscal court approval. This deficiency was due to the lack of oversight and internal controls over accounting functions. All seven of these transfers occurred in July 2023. The first fiscal court meeting of July 2023 was canceled and had to be rescheduled, which did not allow time for approval.

Without proper oversight and approval from the fiscal court, misappropriation and fraud could occur and go undetected. When cash transfers are made without approval of the fiscal court, funds can be moved between funds to cover expenditures without the knowledge of the fiscal court.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* states, "All transfers require a court order."

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

We recommend all cash transfers between funds be approved by fiscal court and approved prior to the transfer being made.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The transfers in question that were made on 7/2/2023 were budgeted transfers that were approved by the Fiscal Court and the Department for Local Government when the budget was approved on 6/1/2023. The transfer that was made on 7/31/2023 from the Grant Account to the General Account was to reimburse General for payment made before the grant was received. Hart County Fiscal Court will now approve the budgeted transfers before July 1 of each year and all transfers that were deposited into the wrong account.

Auditor's Reply: While anticipated cash transfers were included in the approved budget, the actual cash transfer was not approved prior to payment by the fiscal court as required by the *County Budget Preparation and State Local Finance Officer Policy Manual*.

HART COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2024
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2024-002 The Hart County Fiscal Court Lacks Internal Controls Over Payroll

Internal controls over payroll were not operating as intended during fiscal year 2024. For the pay periods tested, the following control deficiencies were noted:

- Three employees worked overtime but were not paid overtime or given compensatory time for hours worked over 40 in a week.
- One employee did not prepare a timesheet.
- One employee's timesheet was not signed by the county judge/executive or a supervisor, indicating this timesheet was not reviewed and approved. This employee also used 8 hours personal time that was not available and therefore not deducted on leave balance reports.
- One employee received pay for more than one employment position, but timesheet was only prepared for one of their positions.
- One employee worked over 40 hours in a week and qualified for time and half for the excess hours over; however, was only given compensatory time for straight hours worked over.

The county treasurer stated that these deficiencies were able to occur due to management oversight. Also, the county treasurer stated the finance officer was new and still in training during the pay period tested. By not accurately preparing timesheets, documenting actual days/hours worked, and requiring timesheets for all employment positions for all employees, fiscal court assumes the risk of employees disputing the number of hours worked or being paid correctly.

KRS 46.010(2) requires, "each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements." KRS 46.010(3) requires, "all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires." The adequate segregation of duties is a basic internal control necessary to ensure the accuracy and reliability of financial reports and would prevent the same person from having a significant role in these incompatible functions. Strong internal controls over payroll and timekeeping are vital in ensuring payroll amounts are calculated and accounted for properly. Proper calculation of hours for timesheets is essential to ensure that all employees are being paid their time while also guarding taxpayer funds from misuse.

KRS 337.320(1) states, "[e]very employer shall keep a record of: (a) The amount paid each pay period to each employee; (b) The hours worked each day and each week by each employee[.]"

KRS 337.285(1) states, "[n]o employer shall employ any of his employees for a work week longer than forty (40) hours, unless such employee receives compensation for his employment in excess of forty (40) hours in a work week at rate of not less one and one-half (1-1/2) times the hourly wage rate at which he is employed."

We recommend the fiscal court improve internal controls over payroll to ensure they are operating effectively.

County Judge/Executive's Response: All timesheets will be reviewed by the Seretary and the Human Resource Officer to ensure they are signed by the employee and supervisor. Compensation time is now only offered to the Sheriff's Department and will be reviewed by the Human Resource Officer and the Hart County Sheriff.

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

HART COUNTY FISCAL COURT

For The Year Ended June 30, 2024

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CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
HART COUNTY FISCAL COURT

For The Year Ended June 30, 2024

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

A handwritten signature in blue ink, appearing to read "Joe [unclear]", is written over a horizontal line.

County Judge/Executive

A handwritten signature in blue ink, appearing to read "Theresa Weber", is written over a horizontal line.

County Treasurer