

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

**For The Year Ended  
June 30, 2025**



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

**Independent Auditor's Report**

To the People of Kentucky  
The Honorable Andy Beshear, Governor  
Holly M. Johnson, Secretary  
Finance and Administration Cabinet  
The Honorable 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, 2025, 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, 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 Hart 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 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  
Holly M. Johnson, Secretary  
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The Honorable Joe Choate, Hart County Judge/Executive  
Members of the Hart County Fiscal Court

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

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

***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.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2026, 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:

- 2025-001 The Hart County Fiscal Court Did Not Approve All Cash Transfers
- 2025-002 The Hart County Fiscal Court Lacks Adequate Controls Over Disbursements
- 2025-003 The Hart County Fiscal Court Lacks Internal Controls Over Payroll
- 2025-004 The Hart County Fiscal Court's Appropriations Budget Was Materially Overstated On The Fourth Quarter Report

Respectfully submitted,



Allison Ball  
Auditor of Public Accounts  
Frankfort, Ky

January 12, 2026



**HART COUNTY OFFICIALS**  
**For The Year Ended June 30, 2025**

**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, 2025**

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

**For The Year Ended June 30, 2025**

	<b>Budgeted Funds</b>			
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Local Government Economic Assistance Fund</b>
<b>RECEIPTS</b>				
Taxes	\$ 4,180,092	\$	\$	\$
In Lieu Tax Payments	78,185			
Licenses and Permits	108,406			
Intergovernmental	388,363	1,976,806	1,566,934	55,645
Charges for Services	1,000		122,958	
Miscellaneous	681,910	51,092	165,540	
Interest	149,081	33,864	5,798	6,864
Total Receipts	<u>5,587,037</u>	<u>2,061,762</u>	<u>1,861,230</u>	<u>62,509</u>
<b>DISBURSEMENTS</b>				
General Government	1,708,241			73,000
Protection to Persons and Property	167,318		1,873,385	
General Health and Sanitation	309,930			67,000
Social Services	10,811			
Recreation and Culture	10,000			306,430
Roads		1,984,540		
Debt Service	50,562			
Capital Projects	25,400			
Administration	587,308	331,158	717,123	
Total Disbursements	<u>2,869,570</u>	<u>2,315,698</u>	<u>2,590,508</u>	<u>446,430</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>2,717,467</u>	<u>(253,936)</u>	<u>(729,278)</u>	<u>(383,921)</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	251,274	6,264	650,000	415,430
Transfers To Other Funds	<u>(2,732,382)</u>			
Total Other Adjustments to Cash (Uses)	<u>(2,481,108)</u>	<u>6,264</u>	<u>650,000</u>	<u>415,430</u>
Net Change in Fund Balance	236,359	(247,672)	(79,278)	31,509
Fund Balance - Beginning	<u>5,113,902</u>	<u>902,921</u>	<u>191,799</u>	<u>43,375</u>
Fund Balance - Ending	<u>\$ 5,350,261</u>	<u>\$ 655,249</u>	<u>\$ 112,521</u>	<u>\$ 74,884</u>
<b>Composition of Fund Balance</b>				
Bank Balance	\$ 2,849,562	\$ 671,234	\$ 136,175	\$ 74,884
Plus: Deposits In Transit				
Less: Outstanding Checks	(23,952)	(15,985)	(23,654)	
Money Market	<u>2,524,651</u>			
Fund Balance - Ending	<u>\$ 5,350,261</u>	<u>\$ 655,249</u>	<u>\$ 112,521</u>	<u>\$ 74,884</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, 2025**  
**(Continued)**

Budgeted Funds							
Grants Fund	911 Fund	Sheriff Department Fund	County Clerk Fund	Animal Shelter Fund	County Clerk Storage Fee Fund	Tourism Fund	Opioid Settlement Fund
\$	\$ 260,151	\$	\$	\$	\$	\$ 136,511	\$
1,881,673		1,146,930	622,318	7			
	10,000			20,066			
2,904	111,208	8,885	14,589	59,329	38,360		65,245
	5,707	4,482	3,314	4,871	2,021	749	7,220
1,884,577	387,066	1,160,297	640,221	84,273	40,381	137,260	72,465
210,221		1,288,249	579,925		52,894		
105,946	858,212						
				222,084			
1,228						144,364	
		56,677					
1,076,571							
106		493,897	178,160	74,470			
1,394,072	858,212	1,838,823	758,085	296,554	52,894	144,364	
490,505	(471,146)	(678,526)	(117,864)	(212,281)	(12,513)	(7,104)	72,465
260,282	350,000	754,808	100,000	275,566			
(331,242)							
(70,960)	350,000	754,808	100,000	275,566			
419,545	(121,146)	76,282	(17,864)	63,285	(12,513)	(7,104)	72,465
3,884	342,552	189,581	153,715	20,972	72,986	42,604	210,120
\$ 423,429	\$ 221,406	\$ 265,863	\$ 135,851	\$ 84,257	\$ 60,473	\$ 35,500	\$ 282,585
\$ 423,429	\$ 221,646	\$ 280,763	\$ 140,972	\$ 86,230	\$ 60,473	\$ 35,382	\$ 282,585
	(240)	(14,900)	(5,121)	(1,973)		118	
\$ 423,429	\$ 221,406	\$ 265,863	\$ 135,851	\$ 84,257	\$ 60,473	\$ 35,500	\$ 282,585

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, 2025**  
**(Continued)**

	<b>Unbudgeted Funds</b>		
	<b>Public Properties Corporation Fund</b>	<b>Jail Commissary Fund</b>	<b>Total Funds</b>
<b>RECEIPTS</b>			
Taxes	\$	\$	\$ 4,576,754
In Lieu Tax Payments			78,185
Licenses and Permits			108,406
Intergovernmental	876,450		8,515,126
Charges for Services			154,024
Miscellaneous		140,886	1,339,948
Interest			223,971
Total Receipts	<u>876,450</u>	<u>140,886</u>	<u>14,996,414</u>
<b>DISBURSEMENTS</b>			
General Government			3,912,530
Protection to Persons and Property			3,004,861
General Health and Sanitation			599,014
Social Services			10,811
Recreation and Culture		190,207	652,229
Roads			1,984,540
Debt Service	874,250		981,489
Capital Projects			1,101,971
Administration			2,382,222
Total Disbursements	<u>874,250</u>	<u>190,207</u>	<u>14,629,667</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>2,200</u>	<u>(49,321)</u>	<u>366,747</u>
<b>Other Adjustments to Cash (Uses)</b>			
Transfers From Other Funds			3,063,624
Transfers To Other Funds			(3,063,624)
Total Other Adjustments to Cash (Uses)			
Net Change in Fund Balance	2,200	(49,321)	366,747
Fund Balance - Beginning		158,486	7,446,897
Fund Balance - Ending	<u>\$ 2,200</u>	<u>\$ 109,165</u>	<u>\$ 7,813,644</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 2,200	\$ 111,712	\$ 5,377,247
Plus: Deposits In Transit			118
Less: Outstanding Checks		(2,547)	(88,372)
Money Market			2,524,651
Fund Balance - Ending	<u>\$ 2,200</u>	<u>\$ 109,165</u>	<u>\$ 7,813,644</u>

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

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENT**

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**HART COUNTY  
NOTES TO FINANCIAL STATEMENT**

**June 30, 2025**

**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, 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.

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.

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

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Basis of Presentation (Continued)**

**Unbudgeted Funds**

The fiscal court reports the following unbudgeted funds:

Public Properties Corporation Fund - The primary purpose of this fund is to account for the proceeds and debt service 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.

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

**Note 1. Summary of Significant Accounting Policies (Continued)**

**E. Hart County Elected Officials (Continued)**

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

**F. Deposits and Investments**

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

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

**G. Long-term Obligations**

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

**H. Related Organizations 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.

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

**Note 2. Deposits**

The fiscal court maintained deposits of public funds with federally insured banking institutions as required by the Department for Local Government's (DLG's) *County Budget Preparation and State Local Finance Officer Policy Manual*. 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.

**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	Grants Fund	Total Transfers In
General Fund	\$	\$ 251,274	\$ 251,274
Road Fund		6,264	6,264
Jail Fund	650,000		650,000
LGEA Fund	415,430		415,430
Grants Fund	260,282		260,282
Animal Shelter Fund	274,420	1,146	275,566
Sheriff Department Fund	682,250	72,558	754,808
911 Fund	350,000		350,000
County Clerk Fund	100,000		100,000
Total Transfers Out	<u>\$ 2,732,382</u>	<u>\$ 331,242</u>	<u>\$ 3,063,624</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.

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

**Note 4. Custodial Funds (Continued)**

The fiscal court has the following custodial funds:

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 \$23,312.

Inmate Bond Fund - This fund accounts for bond monies held for custodial purposes only until remitted to the proper agencies or individuals. The balance in the inmate bond fund as of June 30, 2025, was \$0.

**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 a 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 \$874,250 in lease revenue during the current fiscal year. As of June 30, 2025, the corporation's receivable for lease payments was zero. As of July 1, 2025, the lease was renewed for a two-year period with lease valued revenues totaling \$1,750,900.

**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 with interest payments being due quarterly. In the case of default, the remaining balance due becomes payable immediately with the property being held as collateral under a mortgage. As of June 30, 2025, the principal balance was \$101,852. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2026	\$ 50,000	\$ 4,329
2027	50,000	2,204
2028	1,852	79
Totals	<u>\$ 101,852</u>	<u>\$ 6,612</u>

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

**Note 6. Long-term Debt (Continued)**

**A. Direct Borrowings and Direct Placements (Continued)**

**2. 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 required 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, 2025, the principal balance was \$370,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2026	\$ 30,000	\$ 11,825
2027	35,000	10,850
2028	35,000	9,756
2029	35,000	8,619
2030	35,000	7,481
2031-2035	<u>200,000</u>	<u>18,156</u>
Totals	<u>\$ 370,000</u>	<u>\$ 66,687</u>

**B. Other Debt**

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

The 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 2 and April 1 of each year at a 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, 2025, bonds outstanding were \$1,675,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2026	\$ 820,000	\$ 50,250
2027	<u>855,000</u>	<u>25,650</u>
Totals	<u>\$ 1,675,000</u>	<u>\$ 75,900</u>

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

**Note 6. Long-term Debt (Continued)**

**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	\$ 551,852	\$	\$ 80,000	\$ 471,852	\$ 80,000
Revenue Bonds	2,475,000		800,000	1,675,000	820,000
Total Long-term Debt	<u>\$ 3,026,852</u>	<u>\$ 0</u>	<u>\$ 880,000</u>	<u>\$ 2,146,852</u>	<u>\$ 900,000</u>

**D. Aggregate Debt Schedule**

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

Fiscal Year Ended June 30	Other Debt		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2026	\$ 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			35,000	7,481
2031-2035			200,000	18,156
Totals	<u>\$ 1,675,000</u>	<u>\$ 75,900</u>	<u>\$ 471,852</u>	<u>\$ 73,299</u>

**Note 7. Employee Retirement System**

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS). This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Effective April 1, 2021, the Kentucky Public Pension Authority (KPPA) was created by KRS 61.505 to provide staffing and daily administrative needs for CERS and Kentucky Retirement Systems (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 \$857,368, FY 2024 was \$782,865, and FY 2025 was \$742,062.

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

**Note 7. Employee Retirement System (Continued)**

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 be allocated to CERS's share of assets in the Ky. Ret. Sys. insurance trust fund.

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

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

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

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:

<b>Years of Service</b>	<b>% Paid by Insurance Fund</b>	<b>% Paid by Member through Payroll Deduction</b>
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.



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

**Note 7. Employee Retirement System (Continued)**

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (Continued)

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.

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>.

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

**Note 7. Employee Retirement System (Continued)**

Other Post-Employment Benefits (OPEB) (Continued)

F. Annual Financial Report and Proportionate Share Audit Report (Continued)

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, 2025, 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.

**Note 10. 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 2025 for the county to use the employee's personal payroll subscription for one year for cost savings to the county.

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

**Note 11. Tax Abatement**

The occupational tax was abated under the authority of the Kentucky Business Investment Program (KBI). Sister Schubert's Homemade Rolls, Inc. is eligible to receive this tax abatement due to undertaking an economic development project. The taxes are abated by 0.8% pursuant to the provisions of KRS 154.32-040 for a 10-year period. Sister Schubert's Homemade Rolls, Inc. made the following commitments which include acquiring, expanding, constructing, installing, and equipping an expansion to an existing manufacturing facility located in Horse Cave, Hart County, KY, to manufacture food product for the retail and food service market. For fiscal year ended June 30, 2025, Sister Schubert's Homemade Rolls, Inc. abated occupational taxes totaling \$180,273.

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

**For The Year Ended June 30, 2025**

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

**For The Year Ended June 30, 2025**

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Taxes	\$ 3,222,000	\$ 3,222,000	\$ 4,180,092	\$ 958,092
In Lieu Tax Payments	52,000	52,000	78,185	26,185
Licenses and Permits	70,000	70,000	108,406	38,406
Intergovernmental	283,600	283,600	388,363	104,763
Charges for Services	1,000	1,000	1,000	
Miscellaneous	101,975	101,975	681,910	579,935
Interest	50,000	50,000	149,081	99,081
Total Receipts	<u>3,780,575</u>	<u>3,780,575</u>	<u>5,587,037</u>	<u>1,806,462</u>
<b>DISBURSEMENTS</b>				
General Government	1,666,427	2,062,235	1,708,241	353,994
Protection to Persons and Property	134,500	183,200	167,318	15,882
General Health and Sanitation	310,930	310,930	309,930	1,000
Social Services	14,000	14,000	10,811	3,189
Recreation and Culture	10,000	10,000	10,000	
Debt Service	43,975	50,562	50,562	
Capital Projects		25,426	25,400	26
Administration	928,643	1,102,122	587,308	514,814
Total Disbursements	<u>3,108,475</u>	<u>3,758,475</u>	<u>2,869,570</u>	<u>888,905</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>672,100</u>	<u>22,100</u>	<u>2,717,467</u>	<u>2,695,367</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			251,274	251,274
Transfers To Other Funds	(1,372,100)	(1,372,100)	(2,732,382)	(1,360,282)
Total Other Adjustments to Cash (Uses)	<u>(1,372,100)</u>	<u>(1,372,100)</u>	<u>(2,481,108)</u>	<u>(1,109,008)</u>
Net Change in Fund Balance	(700,000)	(1,350,000)	236,359	1,586,359
Fund Balance - Beginning	<u>700,000</u>	<u>1,700,000</u>	<u>5,113,902</u>	<u>3,413,902</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 350,000</u>	<u>\$ 5,350,261</u>	<u>\$ 5,000,261</u>

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

	<b>ROAD FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts, (Budgetary Basis)</b>	<b>Final Budget Positive (Negative)</b>
<b>RECEIPTS</b>				
Intergovernmental	\$ 2,038,529	\$ 2,038,529	\$ 1,976,806	\$ (61,723)
Miscellaneous	53,000	53,000	51,092	(1,908)
Interest	5,000	5,000	33,864	28,864
Total Receipts	2,096,529	2,096,529	2,061,762	(34,767)
<b>DISBURSEMENTS</b>				
Roads	2,196,529	2,604,696	1,984,540	620,156
Administration	400,000	400,600	331,158	69,442
Total Disbursements	2,596,529	3,005,296	2,315,698	689,598
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(500,000)	(908,767)	(253,936)	654,831
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			6,264	6,264
Total Other Adjustments to Cash (Uses)			6,264	6,264
Net Change in Fund Balance	(500,000)	(908,767)	(247,672)	661,095
Fund Balance - Beginning	500,000	908,767	902,921	(5,846)
Fund Balance - Ending	\$ 0	\$ 0	\$ 655,249	\$ 655,249



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

<b>JAIL FUND</b>				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental	\$ 2,257,000	\$ 2,257,000	\$ 1,566,934	\$ (690,066)
Charges for Services	280,000	280,000	122,958	(157,042)
Miscellaneous	164,500	164,500	165,540	1,040
Interest	1,500	1,500	5,798	4,298
Total Receipts	<u>2,703,000</u>	<u>2,703,000</u>	<u>1,861,230</u>	<u>(841,770)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	2,270,000	2,206,127	1,873,385	332,742
Administration	761,000	729,819	717,123	12,696
Total Disbursements	<u>3,031,000</u>	<u>2,935,946</u>	<u>2,590,508</u>	<u>345,438</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(328,000)</u>	<u>(232,946)</u>	<u>(729,278)</u>	<u>(496,332)</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			650,000	650,000
Total Other Adjustments to Cash (Uses)			<u>650,000</u>	<u>650,000</u>
Net Change in Fund Balance	(328,000)	(232,946)	(79,278)	153,668
Fund Balance - Beginning	<u>328,000</u>	<u>232,946</u>	<u>191,799</u>	<u>(41,147)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 112,521</u>	<u>\$ 112,521</u>

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

<b>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 30,000	\$ 30,000	\$ 55,645	\$ 25,645
Interest	1,000	1,000	6,864	5,864
Total Receipts	31,000	31,000	62,509	31,509
<b>DISBURSEMENTS</b>				
General Government	73,000	73,000	73,000	
General Health and Sanitation	67,000	67,000	67,000	
Recreation and Culture	306,430	306,430	306,430	
Administration		59,125		59,125
Total Disbursements	446,430	505,555	446,430	59,125
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(415,430)	(474,555)	(383,921)	90,634
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	415,430	415,430	415,430	
Total Other Adjustments to Cash (Uses)	415,430	415,430	415,430	
Net Change in Fund Balance		(59,125)	31,509	90,634
Fund Balance - Beginning		59,125	43,375	(15,750)
Fund Balance - Ending	\$ 0	\$ 0	\$ 74,884	\$ 74,884

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

	GRANTS FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,117,500	\$ 2,617,500	\$ 1,881,673	\$ (735,827)
Miscellaneous			2,904	2,904
Total Receipts	1,117,500	2,617,500	1,884,577	(732,923)
<b>DISBURSEMENTS</b>				
General Government	1,100,000	1,010,326	210,221	800,105
Protection to Persons and Property	17,500	105,946	105,946	
Recreation and Culture		1,228	1,228	
Capital Projects		1,500,000	1,076,571	423,429
Administration		3,884	106	3,778
Total Disbursements	1,117,500	2,621,384	1,394,072	1,227,312
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(3,884)	490,505	494,389
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			260,282	260,282
Transfers To Other Funds			(331,242)	(331,242)
Total Other Adjustments to Cash (Uses)			(70,960)	(70,960)
Net Change in Fund Balance		(3,884)	419,545	423,429
Fund Balance - Beginning		3,884	3,884	
Fund Balance - Ending	\$ 0	\$ 0	\$ 423,429	\$ 423,429

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

	<b>911 FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Taxes	\$ 240,000	\$ 240,000	\$ 260,151	\$ 20,151
Charges for Services	10,000	10,000	10,000	
Miscellaneous			111,208	111,208
Interest	750	750	5,707	4,957
Total Receipts	250,750	250,750	387,066	136,316
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	330,550	882,493	858,212	24,281
Administration	70,200	61,242		61,242
Total Disbursements	400,750	943,735	858,212	85,523
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(150,000)	(692,985)	(471,146)	221,839
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			350,000	350,000
Total Other Adjustments to Cash (Uses)			350,000	350,000
Net Change in Fund Balance	(150,000)	(692,985)	(121,146)	571,839
Fund Balance - Beginning	150,000	342,985	342,552	(433)
Fund Balance - Ending	\$ 0	\$ (350,000)	\$ 221,406	\$ 571,406

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

SHERIFF DEPARTMENT FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,127,500	\$ 1,127,500	\$ 1,146,930	\$ 19,430
Miscellaneous	10,000	10,000	8,885	(1,115)
Interest	2,000	2,000	4,482	2,482
Total Receipts	1,139,500	1,139,500	1,160,297	20,797
DISBURSEMENTS				
General Government	1,319,250	1,396,040	1,288,249	107,791
Debt Service	57,000	57,000	56,677	323
Administration	545,500	562,688	493,897	68,791
Total Disbursements	1,921,750	2,015,728	1,838,823	176,905
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)				
	(782,250)	(876,228)	(678,526)	197,702
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	682,250	682,250	754,808	72,558
Total Other Adjustments to Cash (Uses)	682,250	682,250	754,808	72,558
Net Change in Fund Balance				
	(100,000)	(193,978)	76,282	270,260
Fund Balance - Beginning	100,000	193,978	189,581	(4,397)
Fund Balance - Ending	\$ 0	\$ 0	\$ 265,863	\$ 265,863

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

<b>COUNTY CLERK FUND</b>				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental	\$ 605,000	\$ 605,000	\$ 622,318	\$ 17,318
Miscellaneous			14,589	14,589
Interest	1,500	1,500	3,314	1,814
Total Receipts	606,500	606,500	640,221	33,721
<b>DISBURSEMENTS</b>				
General Government	607,700	608,236	579,925	28,311
Administration	198,800	181,130	178,160	2,970
Total Disbursements	806,500	789,366	758,085	31,281
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(200,000)	(182,866)	(117,864)	65,002
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			100,000	100,000
Total Other Adjustments to Cash (Uses)			100,000	100,000
Net Change in Fund Balance	(200,000)	(182,866)	(17,864)	165,002
Fund Balance - Beginning	200,000	182,866	153,715	(29,151)
Fund Balance - Ending	\$ 0	\$ 0	\$ 135,851	\$ 135,851

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

<b>ANIMAL SHELTER FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,050	\$ 1,050	\$ 7	\$ (1,043)
Charges for Services	15,000	15,000	20,066	5,066
Miscellaneous	5,000	5,000	59,329	54,329
Interest	500	500	4,871	4,371
Total Receipts	21,550	21,550	84,273	62,723
<b>DISBURSEMENTS</b>				
General Health and Sanitation	230,770	237,270	222,084	15,186
Administration	90,200	80,903	74,470	6,433
Total Disbursements	320,970	318,173	296,554	21,619
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(299,420)	(296,623)	(212,281)	84,342
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	274,420	274,420	275,566	1,146
Total Other Adjustments to Cash (Uses)	274,420	274,420	275,566	1,146
Net Change in Fund Balance	(25,000)	(22,203)	63,285	85,488
Fund Balance - Beginning	25,000	22,203	20,972	(1,231)
Fund Balance - Ending	\$ 0	\$ 0	\$ 84,257	\$ 84,257

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

<b>COUNTY CLERK STORAGE FEE FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Miscellaneous	\$ 36,000	\$ 36,000	\$ 38,360	\$ 2,360
Interest	1,000	1,000	2,021	1,021
Total Receipts	37,000	37,000	40,381	3,381
<b>DISBURSEMENTS</b>				
General Government	102,000	109,986	52,894	57,092
Total Disbursements	102,000	109,986	52,894	57,092
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(65,000)	(72,986)	(12,513)	60,473
Net Change in Fund Balance	(65,000)	(72,986)	(12,513)	60,473
Fund Balance - Beginning	65,000	72,986	72,986	
Fund Balance - Ending	\$ 0	\$ 0	\$ 60,473	\$ 60,473



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

<b>TOURISM FUND</b>				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Taxes	\$ 200,000	\$ 200,000	\$ 136,511	\$ (63,489)
Interest			749	749
Total Receipts	200,000	200,000	137,260	(62,740)
<b>DISBURSEMENTS</b>				
Recreation and Culture	200,000	244,680	144,364	100,316
Total Disbursements	200,000	244,680	144,364	100,316
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(44,680)	(7,104)	37,576
Net Change in Fund Balance		(44,680)	(7,104)	37,576
Fund Balance - Beginning		44,680	42,604	(2,076)
Fund Balance - Ending	\$ 0	\$ 0	\$ 35,500	\$ 35,500

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

<b>OPIOID SETTLEMENT FUND</b>				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Miscellaneous	\$ 24,000	\$ 24,000	\$ 65,245	\$ 41,245
Interest			7,220	7,220
Total Receipts	24,000	24,000	72,465	48,465
<b>DISBURSEMENTS</b>				
Administration	134,000	234,120		234,120
Total Disbursements	134,000	234,120		234,120
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(110,000)	(210,120)	72,465	282,585
Net Change in Fund Balance	(110,000)	(210,120)	72,465	282,585
Fund Balance - Beginning	110,000	210,120	210,120	
Fund Balance - Ending	\$ 0	\$ 0	\$ 282,585	\$ 282,585

**HART 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.

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

**For The Year Ended June 30, 2025**

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**HART 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
Land and Land Improvements	\$ 675,952	\$ 1,054,200	\$	\$ 1,730,152
Buildings and Building Improvements	16,784,477	359,906		17,144,383
Vehicles and Equipment	3,277,499	851,568	415,382	3,713,685
Other Equipment	1,810,039	898,834	25,288	2,683,585
Infrastructure	14,298,384	106,055		14,404,439
 Total Capital Assets	 <u>\$ 36,846,351</u>	 <u>\$ 3,270,563</u>	 <u>\$ 440,670</u>	 <u>\$ 39,676,244</u>

**HART 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	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Vehicles and Equipment	\$ 5,000	3-25
Other 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, 2025, 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 January 12, 2026.

**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 2025-001, 2025-002, 2025-003, and 2025-004 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 2025-001, 2025-002, and 2025-003.

**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

January 12, 2026

**HART COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

**For The Year Ended June 30, 2025**

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**HART COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

**For The Year Ended June 30, 2025**

**2025-001    The Hart County Fiscal Court Did Not Approve All Cash Transfers**

---

**Condition and Context**

This is a repeat finding and was included in the prior year audit report as finding 2024-001. The Hart County Fiscal Court did not authorize and approve all cash transfers prior to the transfers being made. Out of ten cash transfers tested, six transfers totaling \$1,750,637 were not approved by the fiscal court and three cash transfers totaling \$807,916 were made prior to fiscal court approval.

**Cause**

This deficiency was due to the lack of oversight and internal controls over accounting functions.

**Effect**

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, monies can be moved between funds to cover expenditures without the knowledge of the fiscal court.

**Criteria**

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.

**Recommendations**

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 were budgeted transfers that were approved by the Fiscal court and the Department of Local Government. Transfers were made July 1, 2024, to start the new fiscal year. Since the Hart County Fiscal Court does not meet on the first day of each month, the Fiscal Court will approve the budgeted transfers before July 1 of the new fiscal year. This is a previous year finding that has been corrected as of the fiscal year 2025/2026.*

**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, 2025**  
**(Continued)**

**2025-002    The Hart County Fiscal Court Lacks Adequate Controls Over Disbursements**

---

**Condition and Context**

Controls over the disbursement process did not operate as intended during fiscal year 2025. Auditors tested 71 operating disbursements paid by check and 65 paid by credit card with the following issues noted:

- Forty-seven disbursements paid by check, totaling \$2,245,577, had purchase orders dated after the invoice date.
- Thirty-four credit card disbursements, totaling \$13,434, had purchase orders dated after the invoice date.
- Five disbursements paid by check, totaling \$166,101, did not have a purchase order issued for invoices.
- Two credit card disbursements, totaling \$4,490, did not have a purchase order issued for invoices.
- Three credit card disbursements, totaling \$1,284, did not agree to the amounts due per the invoices attached.
- Four payments to the credit card companies, totaling \$2,020, were for invoices that had been paid with a credit card that was not held by fiscal court.
- Thirty credit card disbursements had late fees and/or interest charged to them totaling \$582.
- Two credit card disbursements in June and August of 2025, totaling \$4,490, involved credit card fraud that originated outside of the fiscal court and was not caught by the fiscal court's internal controls. Fiscal court disputed the charges with the credit card company and was given credit for the fraudulent charges in September 2025.

**Cause**

These deficiencies occurred due to a lack of supervisory review over disbursements and credit card payments. Also, a new finance officer was hired in January 2025 and was still training during this time.

**Effect**

By not accurately preparing purchase orders, documenting invoices correctly, and monitoring credit card payments and statements, fiscal court risks misappropriation of assets and unnecessary purchases.

**Criteria**

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." Requiring itemized receipts and documentation for every purchase is a basic internal control necessary to ensure the accuracy and reliability of financial reports. This control ensures each transaction has a clear record of what was purchased, was for official business, and that there is sufficient evidence of review and approval.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual* which states, "Purchases shall not be made without approval by the judge/executive (or designee), and/or a department head." Furthermore, per the manual, purchase order systems are required for fiscal courts and should be issued for all goods and services utilized by the fiscal court.



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

**2025-002 The Hart County Fiscal Court Lacks Adequate Controls Over Disbursements (Continued)**

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**Criteria (Continued)**

KRS 65.140(2) generally requires local governments to pay for purchases within 30 days.

**Recommendations**

We recommend the fiscal court improve procedures over disbursements to ensure the proper handling of disbursements.

**Views of Responsible Official and Planned Corrective Action**

*County Judge/Executive's Response: PO's were issued for part of the purchases, but the approved PO amount was being changed when the invoice was received to match the invoice, which changed the PO date. A process is now in place to issue a PO upon order for an estimated amount, if necessary, and not change the approved PO amount when the invoice is received. Also, disbursements for purchases that had been bid out and approved in court had not had a PO issued, but a process is now in place to issue a PO as soon as court approves a purchase or an order is placed. Credit card charges were being processed and paid based on the preliminary charge to the card rather than waiting for the actual charge on the account. Charges are now only paid when they are recorded on the credit card account. The Finance Officer has online account access to the credit cards and frequently monitors when charges are made, and an accurate invoice is received. Furthermore, the Finance Officer can monitor account activity in real time and print statements rather than waiting on the statement arriving in the mail, which controls being charged late fees/interest.*

**2025-003 The Hart County Fiscal Court Lacks Internal Controls Over Payroll**

---

**Condition and Context**

This is a repeat finding and was included in the prior year audit report as finding 2024-002. Internal controls over payroll were not operating as intended during fiscal year 2025. For the pay periods tested, the following control deficiencies were noted:

- Three employees' timesheets were not signed by the county judge/executive or a supervisor, indicating these timesheets were not reviewed and approved.
- One employee recorded 47.25 hours worked on his biweekly timesheet; however, he was paid for 80 hours worked.
- One employee worked overtime but was not paid overtime or given compensatory time for hours worked over 40 in a week.

**Cause**

These deficiencies occurred due to the lack of supervisory review and management oversight over payroll.

**Effect**

By not accurately preparing timesheets, documenting actual days/hours worked, and improper supervisor review of timesheets, the fiscal court assumes the risk of employees disputing the number of hours worked or being paid correctly.

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

**2025-003 The Hart County Fiscal Court Lacks Internal Controls Over Payroll (Continued)**

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**Criteria**

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 work 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 or her employees for a work week longer than forty (40) hours, unless such employee receives compensation for his or her 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 or she is employed.”

**Recommendations**

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

**Views of Responsible Official and Planned Corrective Action**

*County Judge/Executive’s Response: All timesheets are reviewed by the Judge/Executive’s Secretary and the Human Resource Officer to ensure that all timesheets have been signed by the employee and supervisor. All Supervisors have been advised again that all time sheets are to be reviewed for accuracy and signatures.*

**2025-004 The Hart County Fiscal Court’s Appropriations Budget Was Materially Overstated On The Fourth Quarter Report**

---

**Condition and Context**

The original budget appropriation column on the Hart County Fiscal Court’s fourth quarter financial statement was materially overstated. The original budget in the capital projects line item of the Grant Fund should have been \$0 but was reported as \$1,500,000 in error. The county treasurer corrected the fourth quarter report after auditors notified her of the discrepancy.

**Cause**

The county treasurer stated that she had to create a new line item for capital projects disbursements from the Grant Fund. When doing so, she entered the budget amendment amount of \$1,500,000 as both the original budget amount and the amount of the budget amendment approved by the fiscal court. The county did not have adequate review and reconciliation procedures in place to verify that the budgeted amounts entered in the accounting system matched the originally approved budget.

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

**2025-004    The Hart County Fiscal Court's Appropriations Budget Was Materially Overstated On The Fourth Quarter Report (Continued)**

---

**Effect**

As a result, the amount on the fourth quarter report for Grant Fund total available budget appropriations was overstated by \$1,500,000 and could have led to the fiscal court overspending the budget in this fund.

**Criteria**

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 review and reconciliation of underlying accounting records is a basic internal control necessary to ensure the accuracy and reliability of financial reports.

**Recommendations**

We recommend the fiscal court implement effective internal controls, oversight, and review procedures to ensure all budgeted amounts reflected on the fourth quarter financial report are complete and accurate and agree to the original budget and budget amendments.

**Views of Responsible Official and Planned Corrective Action**

*County Judge/Executive's Response: When creating an account for a grant that the Hart County Fiscal Court was awarded, the Treasurer mistakenly entered the amount of the grant as the opening amount then also in preparing the Budget Amendment for the grant, entered that amount again, causing it to be overstated.*

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

**HART COUNTY FISCAL COURT**

**For The Year Ended June 30, 2025**

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CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE  
HART COUNTY FISCAL COURT

For The Year Ended June 30, 2025

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.



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County Judge/Executive



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County Treasurer