REPORT OF THE AUDIT OF THE MADISON COUNTY FISCAL COURT

For The Year Ended
June 30, 2024

ALLISON BALL
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Independent Auditor's Report

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Reagan Taylor, Madison County Judge/Executive
Members of the Madison 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 Madison County Fiscal Court, for the year ended June 30, 2024, and the related notes to the financial statement, which collectively comprise the Madison 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 Madison 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 Madison 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 Madison 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
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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 Madison 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

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

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

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

Other Information

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

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2026, on our consideration of the Madison 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 Madison County Fiscal Court's internal control over financial reporting and compliance.

Based on the results of our audit, we present the accompanying Schedule of Findings and Questioned Costs included herein, which discusses the following report findings:

2024-001 The Madison County Fiscal Court Reported Inaccurate Budget Figures On The Fourth Quarter Financial Statement
2024-002 The Madison County Fiscal Court Did Not Properly Classify And Report Receipts On Its Fourth Quarter Financial Report
2024-003 The Madison County Fiscal Court Failed To Implement Effective Internal Controls Over Expenditures
2024-004 The Madison County Fiscal Court Did Not Comply With Bidding Requirements
2024-005 The Madison County Fiscal Court Did Not Comply With Year-End Reporting and Approval Requirements
2024-006 The Madison County Fiscal Court Did Not Report Investments At Cost Basis On The Fourth Quarter Financial Report
2024-007 The Madison County Fiscal Court Misstated Debt Balances On The Fourth Quarter Financial Report
2024-008 The Madison County Fiscal Court Failed To Prepare And Submit A Timely Schedule Of Expenditures Of Federal Awards (SEFA) To The Department For Local Government
2024-009 The Madison County Detention Center Did Not Have Adequate Internal Controls Over Commissary Fund Accounting And Financial Reporting
2024-010 The Madison County Fiscal Court Did Not Comply With Procurement Requirements

Respectfully submitted,

Allison Ball

Allison Ball
Auditor of Public Accounts
Frankfort, Ky

March 9, 2026

MADISON COUNTY OFFICIALS

For The Year Ended June 30, 2024

Fiscal Court Members:

Reagan Taylor	County Judge/Executive
James Brian Combs	Magistrate
Stephen Lochmueller	Magistrate
Billy Ray Hughes	Magistrate
Tom Botkin	Magistrate

Other Elected Officials:

Jennie Haymond	County Attorney
Stephen Tussey	Jailer
Kenny Barger	County Clerk
David Fernandez	Circuit Court Clerk
Mike Coyle	Sheriff
Billy Ackerman	Property Valuation Administrator
Jimmy Cornelison	Coroner

Appointed Personnel:

Sarah Stewart	County Treasurer

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

For The Year Ended June 30, 2024

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

For The Year Ended June 30, 2024

	Budgeted Funds			
	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund
RECEIPTS				
Taxes	$ 17,747,914	$	$	$
Excess Fees	1,116,501			
Licenses and Permits	595,355			
Intergovernmental	3,491,684	2,753,310	1,103,656	201,177
Charges for Services	946,178	118,739	147,272	
Miscellaneous	955,902	25,839	282,057	
Interest	774,916	6,113	6,772	965
Total Receipts	25,628,450	2,904,001	1,539,757	202,142
DISBURSEMENTS				
General Government	6,128,980			
Protection to Persons and Property	2,122,978		4,288,485	
General Health and Sanitation	659,701			
Social Services	247,979			
Recreation and Culture	626,224			
Transportation Facility and Services	20,000			
Roads		3,435,637		38,996
Debt Service	3,017,509			134,390
Capital Projects	810,908			
Administration	2,879,452	497,193	678,808	
Total Disbursements	16,513,731	3,932,830	4,967,293	173,386
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	9,114,719	(1,028,829)	(3,427,536)	28,756
Other Adjustments to Cash (Uses)				
Gain on Investments	156,454			
Investments Purchased	(3,108,123)			
Investments Redeemed	3,048,000			
Transfers From Other Funds	237,506	655,519	3,100,000	
Transfers To Other Funds	(3,951,429)		(30,400)	
Total Other Adjustments to Cash (Uses)	(3,617,592)	655,519	3,069,600	
Net Change in Fund Balance	5,497,127	(373,310)	(357,936)	28,756
Fund Balance - Beginning (Restated)	26,148,999	619,494	784,308	428,663
Fund Balance - Ending	$ 31,646,126	$ 246,184	$ 426,372	$ 457,419
Composition of Fund Balance				
Bank Balance	$ 9,970,218	$ 297,862	$ 604,995	$ 457,419
Plus: Deposits In Transit	14,744			
Less: Outstanding Checks	(489,215)	(51,678)	(178,623)	
Investments	22,150,379			
Fund Balance - Ending	$ 31,646,126	$ 246,184	$ 426,372	$ 457,419

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

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

Budgeted Funds					
Federal Grants Fund	**Chemical Stockpile Emergency Preparedness Program Fund**	**E-911 Fund**	**County Clerk Storage Fund**	**American Rescue Plan Act Fund**	**Opioid Settlement Fund**
$	$	$ 531,004	$	$	$
	11,060,779	627,107		50,000	
		589,916			
	53,697		141,350		1,094,301
		2,910	1,318	366,224	22,462
	11,114,476	1,750,937	142,668	416,224	1,116,763
			87,943		
	10,439,883	1,407,448			
		149,755			
	265,483	489,061			
	10,705,366	2,046,264	87,943		
	409,110	(295,327)	54,725	416,224	1,116,763
				23,946	12,001
				(4,357,504)	
				4,326,000	
		365,098			
	(327,050)	(49,244)			
	(327,050)	315,854		(7,558)	12,001
	82,060	20,527	54,725	408,666	1,128,764
3	480,011	198,755	83,136	8,375,766	517,472
$ 3	$ 562,071	$ 219,282	$ 137,861	$ 8,784,432	$ 1,646,236
$ 3	$ 1,172,013	$ 266,294	$ 173,083	$ 359,036	$ 1,101,664
	(609,942)	(47,012)	(35,222)		
				8,425,396	544,572
$ 3	$ 562,071	$ 219,282	$ 137,861	$ 8,784,432	$ 1,646,236

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

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

	Unbudgeted Funds			Internal Service Fund
	Public Properties Corporation Fund	Jail Commissary Fund	Total Funds	Self-Insured Health Insurance Fund
RECEIPTS				
Taxes	$	$	$ 18,278,918	$
Excess Fees			1,116,501	
Licenses and Permits			595,355	
Intergovernmental	1,675,836		20,963,549	
Charges for Services			1,802,105	
Miscellaneous		1,701,496	4,254,642	1,748,625
Interest	824,187	16	2,005,883	5,907
Total Receipts	2,500,023	1,701,512	49,016,953	1,754,532
DISBURSEMENTS				
General Government			6,216,923	
Protection to Persons and Property			18,258,794	
General Health and Sanitation			659,701	
Social Services			247,979	
Recreation and Culture		1,635,838	2,262,062	
Transportation Facility and Services			20,000	
Roads			3,474,633	
Debt Service	1,675,836		4,827,735	
Capital Projects	12,020,172		12,980,835	
Administration			4,809,997	1,847,390
Total Disbursements	13,696,008	1,635,838	53,758,659	1,847,390
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(11,195,985)	65,674	(4,741,706)	(92,858)
Other Adjustments to Cash (Uses)				
Gain on Investments			192,401	
Investments Purchased			(7,465,627)	
Investments Redeemed			7,374,000	
Transfers From Other Funds			4,358,123	
Transfers To Other Funds			(4,358,123)	
Total Other Adjustments to Cash (Uses)			100,774	
Net Change in Fund Balance	(11,195,985)	65,674	(4,640,932)	(92,858)
Fund Balance - Beginning (Restated)	21,639,616	64,667	59,340,890	568,150
Fund Balance - Ending	$ 10,443,631	$ 130,341	$ 54,699,958	$ 475,292
Composition of Fund Balance				
Bank Balance	$ 10,443,631	$ 162,596	$ 25,008,814	$ 462,276
Plus: Deposits In Transit		2,923	17,667	13,016
Less: Outstanding Checks		(35,178)	(1,446,870)	
Investments			31,120,347	
Fund Balance - Ending	$ 10,443,631	$ 130,341	$ 54,699,958	$ 475,292

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

INDEX FOR NOTES
TO THE FINANCIAL STATEMENT

MADISON COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2024

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Basis of Accounting

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

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

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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

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

Chemical Stockpile Emergency Preparedness Program (CSEPP) Fund - This fund is to be used to improve Madison County's capacity to plan for and respond to accidents associated with storage and ultimate disposal of chemical warfare materials located at the Bluegrass Army Depot. The U.S. Congress appropriates funding for reimbursement of CSEPP disbursements. CSEPP funds may not be commingled with other funds.

E-911 Fund - The purpose of this fund is to account for emergency 911 receipts and disbursements. The primary sources of receipts for this fund are a telephone tax and charges for services from other governmental agencies.

County Clerk Storage Fund - The primary purpose of this fund is to account for receipts and disbursements related to the county clerk's permanent storage of county records. The funds are used for the maintenance of records and for the facilities used to store those records.

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

Opioid Settlement Fund - The primary purpose of this fund is to account for revenues received as a result of the opioid settlement related to oxycontin. Funds received under this settlement are to be used in efforts to reduce the illicit use of opioids.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

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

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

Internal Service Fund

The fiscal court reports the following internal service fund:

Self-Insured Health Insurance Account - The primary purpose of this fund is to account for the contributions, claims and fees for the self-insured employee health insurance plan.

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

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information

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

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

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

The 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. Madison County Elected Officials

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

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

F. Deposits and Investments

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

G. Long-term Obligations

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

Note 2. Deposits and Investments

A. 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 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.

B. Investments

As of June 30, 2024, the fiscal court had the following investments and maturities:

		Maturities (In Years)			
Type	Cost Basis	Less Than 1	1-5	6-10	More Than 10
Cash Equivalents	$ 5,241,415	$ 5,241,415	$	$	$
Investments:					
U.S. Government and U.S. Agencies Bonds	5,681,465				5,681,465
Federal Farm Credit	2,986,025			2,986,025	
U.S. Treasury Notes	17,211,443	8,260,078	6,891,499	2,059,617	
Total Investments	25,878,933	8,260,078	6,891,499	5,045,642	5,681,465
Total Fund Balance	$ 31,120,348	$ 13,501,493	$6,891,499	$5,045,642	$ 5,681,465

Note 2. Deposits and Investments (Continued)

B. Investments (Continued)

Custodial Credit Risk is the risk that, in the event of failure of the counterparty, the fiscal court will not be able to recover the value of its certificates of deposit, investments, or collateral securities that are in the possession of an outside party. The fiscal court's investment policy requires counterparties to provide sufficient collateral or other insurance if any investments or deposits exceed the insurance provided by Federal Deposit Insurance Corporation (FDIC) or the Securities Investor Protection Corporation (SIPC). All certificates of deposit and investments must be held by the counterparty in the fiscal court's name. The fiscal court has $5,241,415 of certificates of deposit and $25,878,684 of investments in securities held by the counterparties' trust departments in the fiscal court's name. In addition, the SIPC provides up to $500,000 coverage for securities and cash (limit of $250,000 for cash) per client and the counterparties maintain additional insurance coverage for loss of securities and cash above the coverage provided by FDIC and SIPC.

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The fiscal court is statutorily limited as to credit ratings, at the time of purchase. KRS 66.480 and the fiscal court's investment policy define the following items as permissible investments:

1) Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, if delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian. These investments may be accomplished through repurchase agreements reached with sources including but not limited to national or state banks chartered in Kentucky;
2) Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency, including but not limited to:
    a. United States Treasury;
    b. Export-Import Bank of the United States;
    c. Farmers Home Administration;
    d. Government National Mortgage Corporation; and
    e. Merchant Marine bonds.
3) Obligations of any corporation of the United States government, including but not limited to:
    a. Federal Home Loan Mortgage Corporation;
    b. Federal Farm Credit Banks;
    c. Bank for Cooperatives;
    d. Federal Intermediate Credit Banks;
    e. Federal Land Banks;
    f. Federal Home Loan Banks;
    g. Federal National Mortgage Association; and
    h. Tennessee Valley Authority.
4) Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution having a physical presence in Kentucky which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations, including surety bonds, permitted by KRS 41.240(4);
5) Uncollateralized certificates of deposit issued by any bank or savings and loan institution having a physical presence in Kentucky rated in one of the three highest categories by a competent rating agency;
6) Bankers' acceptances for banks rated in one of the three highest categories by a competent rating agency;
7) Commercial paper rated in the highest category by a competent rating agency;
8) Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities;
9) Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, and rated in one of the three highest categories by a competent rating agency;

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

Note 2. Deposits and Investments (Continued)

B. Investments (Continued)

10) Shares of mutual funds and exchange traded funds, each of which shall have the following characteristics:
    a. The mutual funds shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended.
    b. The management company of the investment company shall have been in operation for at least five years; and
    c. All of the securities in the mutual fund shall be eligible investments pursuant to this section.
11) Individual equity securities if the funds being invested are managed by a professional investment manager regulated by a federal regulatory agency. The individual equity securities shall be included within the Standard and Poor's 500 Index, and a single sector shall not exceed twenty-five percent (25%) of the equity allocation; and
12) Individual high-quality corporate bonds that are managed by a professional investment manager that:
    a. Are issued, assumed, or guaranteed by a solvent institution created and existing under the laws of the United States;
    b. Have a standard maturity of no more than ten years; and
    c. Are rated in the three highest rating categories by at least two competent credit rating agencies.

According to KRS 66.480, the fiscal court is limited to investing no more than 20 percent in categories 5, 6, 7, 9, and 10 above per state statute and the fiscal court's investment policy. As of June 30, 2024, the fiscal court does not have any investments in these categories.

The fiscal court's rated investments, as of June 30, 2024, and the ratings are presented in the table below. All issuers of the municipal bonds are located in the Commonwealth of Kentucky.

	Standard & Poor's/Moody's Credit Ratings					
Type	AAA/Aaa	AA/Aa	A	WR	Unrated/NA	Cost Basis
Cash Equivalents	$	$	$	$	$ 5,241,415	$ 5,241,415
Investments:						
U.S. Government and						
U.S. Agencies Bonds	5,681,465					5,681,465
Federal Farm Credit	2,986,025					2,986,025
U.S. Treasury Notes	17,211,442					17,211,442
Total Investments						
Total Fund Balance	$ 25,878,932	$ 0	$ 0	$ 0	$ 5,241,415	$ 31,120,347

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the fiscal court's investment in a single issuer. U.S. Government securities and investments in mutual funds are excluded from this risk. The fiscal court does not have 5 percent or more of the fiscal court's investments invested in any single security.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The fiscal court's policy provides that, to the extent practicable, investments are matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities. See table above for investments listed by type and duration.

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

Note 2. Deposits and Investments (Continued)

B. Investments (Continued)

Foreign Currency Risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The fiscal court's policy historically has been to invest only in securities in U.S. denominations.

Note 3. Transfers

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

	General Fund	Road Fund	Jail Fund	E-911 Fund	Total Transfers Out
General Fund	$	$ 576,426	$ 3,100,000	$ 275,003	$ 3,951,429
Jail Fund	26,465	3,935			30,400
E-911 Fund	49,244				49,244
CSEPP Fund	161,797	75,159		90,095	327,051
Total Transfers In	$ 237,506	$ 655,520	$ 3,100,000	$ 365,098	$ 4,358,124

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 $8,957.

Note 5. Leases

A. Fiscal Court as Lessor:

1. Temporary Circuit Courthouse – Family Court

On May 24, 2022, Madison County Fiscal Court entered into a lease agreement with the Kentucky Administrative Office of the Courts (AOC) for office space and parking spaces at the Madison County Family Court Building, located at 116 West Main Street in Richmond, Kentucky. The agreement provides for annual reimbursement from the AOC for the leased premises. During fiscal year 2024, the Madison County Fiscal Court recognized $276,810 in lease revenue related to this agreement. As of June 30, 2024, the lessee was current on all required payments.

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

Note 5. Leases (Continued)

A. Fiscal Court as Lessor: (Continued)

2. Circuit Judge and Circuit Clerk

On May 1, 2022, the Madison County Fiscal Court began leasing office space and parking spaces at 116 West Main Street, Richmond, Kentucky to the Kentucky Administrative Office of the Courts (AOC). Under the original lease agreement, annual rent was $197,712, payable in quarterly installments of $49,428. Effective September 1, 2023, the lease was amended to increase the annual rent to $249,996, payable in quarterly installments of $62,499. During fiscal year 2024, the Madison County Fiscal Court received one quarterly payment of $49,428 and three quarterly payments of $62,499, recognizing total lease revenue of $236,925. As of June 30, 2024, terms of the agreements were up to date.

3. Commonwealth Attorney

On October 19, 2018, the Madison County Fiscal Court began leasing 101 North Main Street, Richmond, Kentucky to the Unified Prosecutorial System (Commonwealth Attorney Office). The lease was for two years, and the rental payments are $8,538 quarterly. On March 24, 2022, the lease was renewed to extend through June 30, 2024. The Madison County Fiscal Court recognized $34,151 in lease revenue during the current fiscal year related to this lease.

4. Drug Court

On July 1, 2023, the Madison County Fiscal Court began leasing office space at 101 North First Street, Richmond, Kentucky to Administrative Office of the Courts (AOC) at the rate of $8,112 quarterly payments. The lease is extended automatically for 24 months at the time, unless the lessee gives the lessor written notice 30 days prior to the expiration of the term or any extension. The Madison County Fiscal Court recognized $32,448 in lease revenue during the current fiscal year related to this lease.

5. Pretrial AOC

On July 1, 2023, the Madison County Fiscal Court began leasing office space at 107 West Irvine Street, Richmond, Kentucky to the AOC at the rate of $168 quarterly payments. The lease is extended automatically for 24 months at a time, unless the lessee gives the lessor written notice 30 days prior to the expiration of the term or any extension. The Madison County Fiscal Court recognized $671 in lease revenue during the current fiscal year.

6. Child Support

On October 1, 2006, the Madison County Fiscal Court began leasing office space at 135 West Irvine Street, Richmond, Kentucky to the Madison County Attorney Child Support Office, at the rate of $3,597 per month. The lease is extended automatically for 12 months at a time, unless the lessee gives the lessor written notice 30 days prior to the expiration of the term or any extension. The Madison County Fiscal Court recognized $43,164 in lease revenue during the current fiscal year.

Note 5. Leases (Continued)

A. Fiscal Court as Lessor: (Continued)

7. Family Court

On July 1, 2023, the Madison County Fiscal Court entered into a lease agreement with the Kentucky Administrative Office of the Courts (AOC) for office space at the Madison County Family Court Building located at 119 North First Street, Richmond, Kentucky. This agreement superseded the prior lease for the same premises. Under the agreement, the AOC makes debt service payments directly to the trustee on behalf of the Madison County Fiscal Court in lieu of rent and reimburses the county for operating costs in accordance with the agreement. The lease automatically renews for successive 24-month terms through June 30, 2032, unless the lessee provides written notice at least 30 days prior to the expiration of the current term or any renewal term. During the current fiscal year, AOC made $461,100 in debt service payments on behalf of the Madison County Fiscal Court in lieu of rent. As of June 30, 2024, the lessee was current on all required payments.

8. AT&T Tower

The Madison County Fiscal Court entered into a Tower Option and Lease Agreement dated May 1, 2002, with New Cingular Wireless PCS, LLC, by AT&T Mobility Corporation, for a tower site located at 353 Big Hill Avenue in Richmond, Kentucky. The agreement has been amended on March 13, 2006, January 29, 2015, April 25, 2017, September 25, 2018, and May 8, 2024. Prior to the fifth amendment, the Madison County Fiscal Court received monthly lease payments of $1,450. Effective May 8, 2024, the monthly lease payment increased to $2,800. The lease is extended automatically for 60 months at a time, unless the lessee gives the lessor written notice 60 days prior to the expiration of the term or any extension. The Madison County Fiscal Court recognized $20,100 in lease revenue during the current fiscal year related to this lease. As of June 30, 2024, terms of the agreements were up to date.

9. T-Mobile Tower

On February 10, 2004, the Madison County Fiscal Court began leasing a tower site located at 356 Big Hill Avenue in Richmond, Kentucky, to T-Mobile Corporation. Under the original lease agreement, the county received monthly lease payments of $1,200. During the lease term, the monthly payments increased to $1,597 and later to $1,757. The tenant has the right to extend the lease for five additional five-year terms. The Madison County Fiscal Court recognized $19,805 in lease revenue during the current fiscal year related to this lease. As of June 30, 2024, terms of the agreement were up to date.

B. Fiscal Court as Lessee:

1. Rice Tower

On March 24, 2015, the Madison County Fiscal Court began leasing 876 Tates Creek Road, Richmond, Kentucky, to provide tower space for AT&T. The lease renewal shall automatically be considered to have been affirmatively exercised every four years, unless either party delivers notice to the other in writing at least 60 days prior to the renewal date hereof. This lease requires payments of $600 per month plus one-half of the rent the lessee receives from tenants leasing space on the tower; however, the lessor is not entitled to any portion of revenue attributed to AT&T.

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

Note 5. Leases (Continued)

B. Fiscal Court as Lessee:

2. Mowers

On November 1, 2019, the Madison County Fiscal Court entered into a six-year lease agreement with DLL Finance LLC, for mowers for the Battlefield Golf Course. The lease agreement calls for lease payments of $1,876 due in the months of May through October of each year. In the event of default, the lease may be terminated, and the equipment returned to the lessor. The total expense related to this lease was $9,378 for the year ending June 30, 2024. The future minimum lease payments are as follows:

Fiscal Year Ended June 30	Principal	Interest
2025	$ 10,785	$ 469
2026	4,501	38
Total	$ 15,286	$ 507

3. Maintenance Equipment

On November 1, 2019, the Madison County Fiscal Court entered into a six-year lease agreement with DLL Finance LLC, for maintenance equipment for the Battlefield Golf Course. The lease agreement calls for lease payments of $7,635 due in the months of May through October of each year. In the event of default, the lease may be terminated, and the equipment returned to the lessor. The total expense related to this lease was $53,446 for the year ended June 30, 2024. The future minimum lease payments are as follows:

Fiscal Year Ended June 30	Principal
2026	$ 45,811
Total	$ 45,811

4. Golf Carts

On June 25, 2019, the Madison County Fiscal Court entered into a 65-month lease agreement with Wells Fargo Equipment Finance for golf carts for the Battlefield Golf Course. This lease incorporated the remaining $62,000 balance for the lease with PNC Equipment Finance, LLC. The new lease agreement calls for lease payments of $5,264 due in the months of May through October of each year. In the event of default, the lease may be terminated, and the equipment returned to the lessor. The total expense related to the lease was $31,584 for the year ended June 30, 2024. The future minimum lease payments are as follows:

Fiscal Year Ended June 30	Principal
2026	$ 26,320
Total	$ 26,320

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

Note 6. Long-term Debt

A. Direct Borrowings and Direct Placements

1. Fire Truck

On December 14, 2017, the Madison County Fiscal Court entered into a 10-year $430,000 lease agreement with KACo Leasing Trust for the purchase of a fire truck. Semi-annual principal and 3.12% fixed rate interest payments began on January 20, 2018, with a final payment on July 30, 2027. There is a 3.00% termination penalty if prepaid on January 20, 2020, or any date thereafter. In the event of default, the lessor may terminate the lease and take immediate possession of the equipment. The principal outstanding as of June 30, 2024, was $162,274. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2025	$ 44,809	$ 4,716
2026	46,036	3,308
2027	47,297	1,862
2028	24,132	376
Totals	$ 162,274	$ 10,262

2. Voting Machines

On May 23, 2018, the Madison County Fiscal Court entered into an 8-year $407,684 lease agreement with KACo Leasing Trust for the purchase of 50 voting machines. Semi-annual principal and 4.00% fixed rate interest payments began on July 20, 2018, with final payment on January 20, 2026. No prepayment was permitted prior to July 20, 2020. If prepaid on July 20, 2020, and prior to July 20, 2023, there is a 3.00% termination penalty. On and after July 20, 2023, there is no penalty to prepay. In the event of default, the lessor may terminate the lease and take immediate possession of the equipment. The principal outstanding as of June 30, 2024, was $112,019. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2025	$ 54,994	$ 3,936
2026	57,025	1,716
Totals	$ 112,019	$ 5,652

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

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

3. Dump Trucks

On January 30, 2020, the Madison County Fiscal Court entered into a 10-year lease agreement with JPMorgan Chase Bank, NA, for the purchase of municipal snow removal vehicles. Principal payments are due annually on February 1 and interest payments are due semi-annually on August 1 and February 1 starting on August 1, 2020. In the event of default, the lessor may terminate the lease and take immediate possession of the equipment. The principal outstanding as of June 30, 2024, was $750,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2025	$ 118,000	$ 16,050
2026	121,000	13,525
2027	124,000	10,935
2028	126,000	8,282
2029	129,000	5,585
2030	132,000	2,825
Totals	$ 750,000	$ 57,202

B. Other Debt

1. General Obligation Refunding Bonds – Series 2021B

On July 25, 2021, the Madison County Fiscal Court issued $5,995,000 of General Obligation Refunding Bonds, Series 2021B for the purpose of refunding all or a portion of the General Obligation Refunding Bonds, Series 2012. Interest rates vary from 2.00% to 5.00%. Principal payments are due annually on March 1 and interest payments are due semi-annually on March 1 and September 1. In the event of default, the trustee may enforce the foreclosure mortgage lien on the project site, bring suit against the county, or declare all bonds due and payable. As of June 30, 2024, bonds outstanding were $4,960,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2025	$ 355,000	$ 166,950
2026	370,000	149,200
2027	390,000	130,700
2028	410,000	111,200
2029	425,000	90,700
2030-2034	2,365,000	227,100
2035-2036	645,000	15,700
Totals	$ 4,960,000	$ 891,550

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

Note 6. Long-term Debt (Continued)

B. Other Debt (Continued)

2. General Obligation Bonds – Family Court Building – Series 2017

On June 1, 2017, the Madison County Fiscal Court issued $6,090,000 of Series 2017 General Obligation Bonds for the purchase of the Family Court Building and adjacent parking lot in downtown Richmond. Interest rates vary from 2.00% through 5.00%. Principal payments are due annually on June 1 and interest payments are due semi-annually on December 1 and June 1. In the event of default, the Trustee may enforce the foreclosure mortgage lien on the project site, sue the county, or declare all bonds due and payable. As of June 20, 2024, bonds outstanding were $3,730,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2025	$ 405,000	$ 132,950
2026	425,000	112,700
2027	445,000	91,450
2028	465,000	73,650
2029	475,000	59,700
2030-2032	1,515,000	91,800
Totals	$ 3,730,000	$ 562,250

3. General Obligation Bonds – Energy Project – Series 2021A

On May 5, 2021, the Madison County Fiscal Court issued $6,740,000 in general obligation bonds. The life of the bond is 15 years. The interest rate on the bonds is between 1.00% and 2.00%. Principal is payable each June 1 and interest is payable twice a year on December 1 and June 1. Payments are scheduled to begin on December 1, 2021. In the event of default, the bonds are secured by the ability of the county to levy taxes sufficient to pay the bond payments. The principal amount outstanding as of June 30, 2024, is $5,080,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2025	$ 580,000	$ 75,550
2026	595,000	69,750
2027	580,000	63,800
2028	575,000	55,100
2029	570,000	46,475
2030-2034	1,770,000	117,200
2035-2036	410,000	12,300
Totals	$ 5,080,000	$ 440,175

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

Note 6. Long-term Debt (Continued)

B. Other Debt (Continued)

4. Bond Anticipation Note – AOC Renovation Project – Series 2020

On July 1, 2020, the Madison County Fiscal Court issued a five-year bond anticipation note in an amount not to exceed $6,100,000. The county did not receive the full $6,100,000 when the note was issued. The county made two draws on the note totaling $2,087,634. The county was only responsible for repayment of the principal amounts drawn. The note required interest-only payments until maturity on March 1, 2025, with interest at 1.5 percent payable on September 1 and March 1 of each year beginning September 1, 2020. In the event of default, the bond anticipation note was backed by the county's ability to levy taxes sufficient to cover payments. During the fiscal year ended June 30, 2024, the county used a portion of the proceeds from its Series 2023 First Mortgage Revenue Bonds to retire the outstanding bond anticipation note. The final payment on the note was made on April 18, 2024. The principal balance outstanding as of June 30, 2024, was $0.

5. First Mortgage Revenue Bonds – Judicial Center Project – Series 2023

The Madison County Fiscal Court issued bonds dated June 1, 2023, in the amount of $22,180,000. A portion of the proceeds from the sale of the bonds was used to pay off the outstanding bond anticipation note, Series 2020, dated July 1, 2020 ($2,087,634 principal outstanding at the time of payoff), of the Madison County Fiscal Court, which provided interim financing for the renovation of the existing county administrative building. The remaining proceeds of the bond issuance were used for additional costs related to the Judicial Center Project and costs related to the bond issuance. The bonds mature on June 1 and December 1 of each year. In the event of default, any bondholder may take such action as may be necessary and appropriate, including seeking an action in mandamus or specific performance to cause the issuers of the disclosure agent to comply with its obligations using this undertaking. Bonds outstanding on June 30, 2024, were $21,420,000. Debt service requirements for future fiscal years are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2025	$ 725,000	$ 955,075
2026	760,000	918,825
2027	800,000	880,825
2028	835,000	840,825
2029	875,000	799,075
2030-2034	5,055,000	3,295,625
2035-2039	6,330,000	2,026,075
2040-2043	6,040,000	641,475
Totals	$ 21,420,000	$ 10,357,800

MADISON 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:

	Beginning Balance (Restated)	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	$ 1,236,944	$	$ 212,650	$ 1,024,294	$ 217,803
General Obligation Bonds	38,423,626		3,233,626	35,190,000	2,065,000
Total Long-term Debt	$ 39,660,570	$ 0	$ 3,446,276	$36,214,294	$ 2,282,803

D. Aggregate Debt Schedule

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

	Other Debt		Direct Borrowings and Direct Placements	
Fiscal Year Ended June 30	Principal	Interest	Principal	Interest
2025	$ 2,065,000	$ 1,330,525	$ 217,803	$ 24,702
2026	2,150,000	1,250,475	224,062	18,549
2027	2,215,000	1,166,775	171,297	12,798
2028	2,285,000	1,080,775	150,132	8,658
2029	2,345,000	995,950	129,000	5,585
2030-2034	10,705,000	3,731,725	132,000	2,825
2035-2039	7,385,000	2,054,075		
2040-2043	6,040,000	641,475		
Totals	$ 35,190,000	$12,251,775	$ 1,024,294	$ 73,117

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 $2,086,431, FY 2023 was $2,449,530, and FY 2024 was $2,058,233.

Note 7. Employee Retirement System (Continued)

<u>Nonhazardous</u>

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

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

<u>Hazardous</u>

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

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

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

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

Note 7. Employee Retirement System (Continued)

Hazardous (Continued)

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

The county's contribution rate for hazardous employees was 43.69%.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

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

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

Benefits are covered under KRS 78.5536.

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

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

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

Note 7. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

B. Health Insurance Coverage - Tier 2 and Tier 3 – Nonhazardous (Continued)

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

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

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

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

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

D. Cost of Living Adjustments - Tier 1

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

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

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

F. Death Benefit

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

G. KPPA Annual Financial Report and Proportionate Share Audit Report

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

Note 7. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

G. KPPA 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 Madison 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. Self-Insured Health Insurance Account

The Madison County Fiscal Court elected to begin a self-funded health insurance plan, effective July 1, 2017, to provide health insurance benefits to employees. The county has contracted with a third-party administrator to process the claims paid under the plan. The Madison County Fiscal Court purchased a stop-loss insurance policy to cover losses from individual and aggregate claims once the county reached the individual and aggregate attachment points.

Incurred administrative fees and health insurance claims for the fiscal year ended June 30, 2024, were $322,844 and $1,524,546, respectively. The health insurance account had a balance of $475,291 as of June 30, 2024.

Note 10. Insurance

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

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

Note 11. Conduit Debt

From time to time, the county has issued bonds to provide financial assistance for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest, in accordance with KRS 103.210. This debt may take the form of certain types of limited-obligation revenue bonds, certificates of participation, or similar debt instruments. Although conduit debt obligations bear Madison County Fiscal Court's name as issuer, the fiscal court has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf it is issued. Neither the fiscal court nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statement. As of June 30, 2024, conduit debt has been issued but the amount currently outstanding is not reasonably determinable.

Note 12. Contingencies

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

Note 13. Prior Period Adjustments

Beginning fund balances were restated to reflect prior-year voided checks, resulting in increases of $209,306 in the General Fund, $3,064 in the Road Fund, $1,668 in the CSEPP Fund, and $18 in the E-911 Fund.

The ARPA Fund beginning balance was restated to increase by $146,237 to adjust the investment balance from market value to cost basis reporting.

In addition, the beginning balance of long-term debt was increased by $1,188,626 to correct the prior year long-term debt balance. The Judicial Center Project Series 2020 Bond Anticipation Note had been reported as retired as of June 30, 2023; however, it was determined during the current audit that the note remained outstanding at that date.

Note 14. Subsequent Events

Former Madison County Jailer Steve Tussey retired effective December 31, 2024. The Madison County Judge/Executive appointed Larry Brock as Madison County Jailer effective January 1, 2025.

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MADISON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2024

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MADISON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2024

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	$ 12,865,100	$ 12,865,100	$ 17,747,914	$ 4,882,814
Excess Fees	1,000,000	1,000,000	1,116,501	116,501
Licenses and Permits	432,250	432,250	595,355	163,105
Intergovernmental	2,910,595	4,590,752	3,491,684	(1,099,068)
Charges for Services	847,101	847,101	946,178	99,077
Miscellaneous	631,731	631,731	955,902	324,171
Interest	519,000	519,000	774,916	255,916
Total Receipts	19,205,777	20,885,934	25,628,450	4,742,516
DISBURSEMENTS				
General Government	6,589,185	7,030,371	6,128,980	901,391
Protection to Persons and Property	2,232,992	2,243,496	2,122,978	120,518
General Health and Sanitation	736,674	774,957	659,701	115,256
Social Services	281,500	328,508	247,979	80,529
Recreation and Culture	709,692	717,727	626,224	91,503
Transportation Facilities and Services	20,000	20,000	20,000	
Debt Service	3,352,914	4,834,424	3,017,509	1,816,915
Capital Projects	1,250,000	1,539,795	810,908	728,887
Administration	22,375,525	21,398,156	2,879,452	18,518,704
Total Disbursements	37,548,482	38,887,434	16,513,731	22,373,703
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(18,342,705)	(18,001,500)	9,114,719	27,116,219
Other Adjustments to Cash (Uses)				
Gain on Investments			156,454	156,454
Investments Purchased			(3,108,123)	(3,108,123)
Investments Redeemed			3,048,000	3,048,000
Bond Anticipation Note	1,050,000	1,050,000		(1,050,000)
Transfers From Other Funds			237,506	237,506
Transfers To Other Funds	(4,707,295)	(4,707,295)	(3,951,429)	755,866
Total Other Adjustments to Cash (Uses)	(3,657,295)	(3,657,295)	(3,617,592)	39,703
Net Change in Fund Balance	(22,000,000)	(21,658,795)	5,497,127	27,155,922
Fund Balance - Beginning (Restated)	22,000,000	22,000,000	26,148,999	4,148,999
Fund Balance - Ending	$ 0	$ 341,205	$ 31,646,126	$ 31,304,921

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

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	$ 2,707,400	$ 2,707,400	$ 2,753,310	$ 45,910
Charges for Services	141,500	141,500	118,739	(22,761)
Miscellaneous	5,000	5,000	25,839	20,839
Interest	3,000	3,000	6,113	3,113
Total Receipts	2,856,900	2,856,900	2,904,001	47,101
DISBURSEMENTS				
Roads	3,417,921	3,759,726	3,435,637	324,089
Administration	628,515	627,915	497,193	130,722
Total Disbursements	4,046,436	4,387,641	3,932,830	454,811
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,189,536)	(1,530,741)	(1,028,829)	501,912
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,039,536	1,039,536	655,519	(384,017)
Total Other Adjustments to Cash (Uses)	1,039,536	1,039,536	655,519	(384,017)
Net Change in Fund Balance	(150,000)	(491,205)	(373,310)	117,895
Fund Balance - Beginning (Restated)	150,000	150,000	619,494	469,494
Fund Balance - Ending	$ 0	$ (341,205)	$ 246,184	$ 587,389

MADISON 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	$ 1,100,257	$ 1,100,257	$ 1,103,656	$ 3,399
Charges for Services	138,100	138,100	147,272	9,172
Miscellaneous	303,800	303,800	282,057	(21,743)
Interest	4,000	4,000	6,772	2,772
Total Receipts	1,546,157	1,546,157	1,539,757	(6,400)
DISBURSEMENTS				
General Government				
Protection to Persons and Property	4,360,503	4,480,503	4,288,485	192,018
Administration	953,413	833,413	678,808	154,605
Total Disbursements	5,313,916	5,313,916	4,967,293	346,623
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(3,767,759)	(3,767,759)	(3,427,536)	340,223
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	3,667,759	3,667,759	3,100,000	(567,759)
Transfers To Other Funds			(30,400)	(30,400)
Total Other Adjustments to Cash (Uses)	3,667,759	3,667,759	3,069,600	(598,159)
Net Change in Fund Balance	(100,000)	(100,000)	(357,936)	(257,936)
Fund Balance - Beginning	100,000	100,000	784,308	684,308
Fund Balance - Ending	$ 0	$ 0	$ 426,372	$ 426,372

MADISON 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	Variance with Final Budget Positive
	Original	Final	Basis)	(Negative)
RECEIPTS				
Intergovernmental	$ 200,000	$ 200,000	$ 201,177	$ 1,177
Interest	500	500	965	465
Total Receipts	200,500	200,500	202,142	1,642
DISBURSEMENTS				
Roads	100,000	100,000	38,996	61,004
Debt Service	134,533	134,533	134,390	143
Administration	265,967	265,967		265,967
Total Disbursements	500,500	500,500	173,386	327,114
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(300,000)	(300,000)	28,756	328,756
Net Change in Fund Balance	(300,000)	(300,000)	28,756	328,756
Fund Balance - Beginning	300,000	300,000	428,663	128,663
Fund Balance - Ending	$ 0	$ 0	$ 457,419	$ 457,419

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

FEDERAL GRANTS FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	$ 750,000	$ 750,000	$	$ (750,000)
Total Receipts	750,000	750,000		(750,000)
DISBURSEMENTS				
Capital Projects	750,000	750,000		750,000
Total Disbursements	750,000	750,000		750,000
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)				
Net Change in Fund Balance				
Fund Balance - Beginning			3	3
Fund Balance - Ending	$ 0	$ 0	$ 3	$ 3

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

	CSEPP FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	$ 26,569,037	$ 26,569,037	$ 11,060,779	$ (15,508,258)
Miscellaneous	18,275	18,275	53,697	35,422
Total Receipts	26,587,312	26,587,312	11,114,476	(15,472,836)
DISBURSEMENTS				
Protection to Persons and Property	25,969,952	25,969,952	10,439,883	15,530,069
Administration	1,467,360	1,467,360	265,483	1,201,877
Total Disbursements	27,437,312	27,437,312	10,705,366	16,731,946
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(850,000)	(850,000)	409,110	1,259,110
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(327,050)	(327,050)
Total Other Adjustments to Cash (Uses)			(327,050)	(327,050)
Net Change in Fund Balance	(850,000)	(850,000)	82,060	932,060
Fund Balance - Beginning (Restated)	850,000	850,000	480,011	(369,989)
Fund Balance - Ending	$ 0	$ 0	$ 562,071	$ 562,071

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

	E-911 FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	$ 550,000	$ 550,000	$ 531,004	$ (18,996)
Intergovernmental	450,000	450,000	627,107	177,107
Charges for Services	865,009	865,009	589,916	(275,093)
Miscellaneous	242,000	242,000		(242,000)
Interest	3,000	3,000	2,910	(90)
Total Receipts	2,110,009	2,110,009	1,750,937	(359,072)
DISBURSEMENTS				
Protection to Persons and Property	1,735,791	1,735,791	1,407,448	328,343
Capital Projects	150,000	150,000	149,755	245
Administration	624,218	624,218	489,061	135,157
Total Disbursements	2,510,009	2,510,009	2,046,264	463,745
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(400,000)	(400,000)	(295,327)	104,673
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			365,098	365,098
Transfers To Other Funds			(49,244)	(49,244)
Total Other Adjustments to Cash (Uses)			315,854	315,854
Net Change in Fund Balance	(400,000)	(400,000)	20,527	420,527
Fund Balance - Beginning (Restated)	400,000	400,000	198,755	(201,245)
Fund Balance - Ending	$ 0	$ 0	$ 219,282	$ 219,282

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

	COUNTY CLERK STORAGE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	$ 120,000	$ 120,000	$ 141,350	$ 21,350
Interest	500	500	1,318	818
Total Receipts	120,500	120,500	142,668	22,168
DISBURSEMENTS				
General Government	160,500	160,500	87,943	72,557
Total Disbursements	160,500	160,500	87,943	72,557
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(40,000)	(40,000)	54,725	94,725
Net Change in Fund Balance	(40,000)	(40,000)	54,725	94,725
Fund Balance - Beginning	40,000	40,000	83,136	43,136
Fund Balance - Ending	$ 0	$ 0	$ 137,861	$ 137,861

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

AMERICAN RESCUE PLAN ACT FUND

	Budgeted Amounts		Actual Amounts, (Budgetary	Variance with Final Budget Positive
	Original	Final	Basis)	(Negative)
RECEIPTS				
Intergovernmental	$ 50,000	$ 50,000	$ 50,000	$
Interest	200,000	200,000	366,224	166,224
Total Receipts	250,000	250,000	416,224	166,224
DISBURSEMENTS				
Capital Projects	1,000,000	1,000,000		1,000,000
Administration	7,500,000	7,500,000		7,500,000
Total Disbursements	8,500,000	8,500,000		8,500,000
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(8,250,000)	(8,250,000)	416,224	8,666,224
Other Adjustments to Cash (Uses)				
Gain on Investments			23,946	23,946
Investments Purchased			(4,357,504)	(4,357,504)
Investments Redeemed			4,326,000	4,326,000
Total Other Adjustments to Cash (Uses)			(7,558)	(7,558)
Net Change in Fund Balance	(8,250,000)	(8,250,000)	408,666	8,658,666
Fund Balance - Beginning (Restated)	8,250,000	8,250,000	8,375,766	125,766
Fund Balance - Ending	$ 0	$ 0	$ 8,784,432	$ 8,784,432

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

OPIOID SETTLEMENT FUND

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
RECEIPTS				
Miscellaneous	$ 500,000	$ 500,000	$ 1,094,301	$ 594,301
Interest	23,500	23,500	22,462	(1,038)
Total Receipts	523,500	523,500	1,116,763	593,263
DISBURSEMENTS				
Administration	1,035,047	1,035,047		1,035,047
Total Disbursements	1,035,047	1,035,047		1,035,047
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(511,547)	(511,547)	1,116,763	1,628,310
Other Adjustments to Cash (Uses)				
Gain on Investments			12,001	12,001
Total Other Adjustments to Cash (Uses)			12,001	12,001
Net Change in Fund Balance	(511,547)	(511,547)	1,128,764	1,640,311
Fund Balance - Beginning	511,547	511,547	517,472	5,925
Fund Balance - Ending	$ 0	$ 0	$ 1,646,236	$ 1,646,236

MADISON COUNTY
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2024

Note 1. Budgetary Information

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

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

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

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MADISON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2024

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MADISON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity's Identifying Number	Provided to Subrecipient	Total Federal Expenditures
U. S. Department of Justice				
Direct Program:				
Law Enforcement Assistance Narcotics and Dangerous Drugs Training	16.004		$	$ 15,447
Total U.S. Department of Justice, DEA			$	$ 15,447
U. S. Department of The Interior				
Passed-Through Kentucky Department of Fish & Wildlife:				
Sport Fish Restoration	15.605	F23AF00294-02	$	$ 79,005
Total U.S. Department of The Interior			$	$ 79,005
U. S. Department of Homeland Security				
Passed-Through Kentucky Department of Military Affairs:				
Chemical Stockpile Emergency Preparedness Program	97.040	SC 095 2300001740	$	$ 11,032,415
Emergency Management Performance Grants	97.042	SC 095 2300000859		13,174
Assistance to Firefighters Grant	97.044	EMW-2021-FG-01774		25,204
Total U.S. Department of Homeland Security			$	$ 11,070,793
U. S. Department of Defense				
Passed-Through Kentucky Division of Emergency Management:				
Training and Support - Combating Weapons of Mass Destruction	12.501	PON2 129 2200002362	$	$ 50,000
Total U.S. Department of Defense			$	$ 50,000
Total Expenditures of Federal Awards			$ 0	$ 11,215,245

MADISON COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2024

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Madison County, Kentucky under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Madison County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Madison County, Kentucky.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rate

Madison County has not adopted an indirect cost rate and has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

MADISON COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2024

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MADISON 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 (Restated)	Additions	Deletions	Ending Balance
Land and Land Improvements	$ 3,994,094	$	$	$ 3,994,094
Construction In Progress	19,471,021	20,111,405	8,617,555	30,964,871
Buildings	30,130,509	3,686,658		33,817,167
Vehicles	7,228,242	1,405,586	16,500	8,617,328
Equipment	12,283,015	616,354	2,316,599	10,582,770
Infrastructure	34,210,777	8,558,039		42,768,816
Total Capital Assets	$107,317,658	$ 34,378,042	$ 10,950,654	$130,745,046

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

June 30, 2024

Note 1. Capital Assets

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

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

Note 2. Prior Period Restatement

The beginning balance of capital assets for vehicles was restated to decrease the balance by $97,433 to correct prior-year capital asset records that had not been consistently updated for vehicles added or removed. During the current year, the county reconciled the vehicle listing to its insurance records and adjusted the capital asset records accordingly.

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 Reagan Taylor, Madison County Judge/Executive
Members of the Madison 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 Madison County Fiscal Court for the fiscal year ended June 30, 2024, and the related notes to the financial statement which collectively comprise the Madison County Fiscal Court's financial statement and have issued our report thereon dated March 9, 2026.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified 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 Questioned Costs as items 2024-001, 2024-002, 2024-003, 2024-004, 2024-005, 2024-006, 2024-007, 2024-008, and 2024-009 to be material weaknesses.

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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 Madison 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 Questioned Costs as items 2024-001, 2024-002, 2024-003, 2024-004, 2024-005, 2024-006, 2024-007, and 2024-008.

Views of Responsible Official and Planned Corrective Action

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

Purpose of this Report

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

Respectfully submitted,

Allison Ball

Allison Ball
Auditor of Public Accounts
Frankfort, Ky

March 9, 2026

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

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Allison Ball
Auditor of Public Accounts

Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With The Uniform Guidance

Independent Auditor's Report

The Honorable Reagan Taylor, Madison County Judge/Executive
Members of the Madison County Fiscal Court

Report on Compliance for Each Major Federal Program

Qualified Opinion on Chemical Stockpile Emergency Preparedness Program ALN 97.040

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

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion section of our report, Madison County Fiscal Court complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Chemical Stockpile Emergency Preparedness Program ALN 97.040 for the year ended June 30, 2024.

Basis for Qualified Opinion on the Major Federal Program

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

We are required to be independent of Madison County Fiscal Court and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion on compliance for the major federal program. Our audit does not provide a legal determination of Madison County Fiscal Court's compliance with the compliance requirements referred to above.

As described in the accompanying schedule of findings and questioned costs, Madison County Fiscal Court did not comply with requirements regarding Chemical Stockpile Emergency Preparedness Program ALN 97.040 for Procurement, Suspension, and Debarment as described in finding 2024-010.

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Basis for Qualified Opinion on the Major Federal Program (Continued)

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Madison County Fiscal Court's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Madison County Fiscal Court's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Madison County Fiscal Court's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Madison County Fiscal Court's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Madison County Fiscal Court's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Madison County Fiscal Court's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a material weakness.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2024-010 to be a material weakness.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Madison County Fiscal Court's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Madison County Fiscal Court's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Respectfully submitted,

Allison Ball
Auditor of Public Accounts
Frankfort, Ky

March 9, 2026

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MADISON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2024

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MADISON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2024

Section I: Summary of Auditor's Results

Financial Statement

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

Internal control over financial reporting:		
• Are any material weaknesses identified?	☑ Yes	☐ No
• Are any significant deficiencies identified?	☐ Yes	☑ None Reported
Are any noncompliances material to financial statements noted?	☑ Yes	☐ No

Federal Awards

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

Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster
97.040	Chemical Stockpile Emergency Preparedness Program

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

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

Section II: Financial Statement Findings

2024-001 The Madison County Fiscal Court Reported Inaccurate Budget Figures On The Fourth Quarter Financial Statement

The Madison County Fiscal Court reported budgeted receipts and appropriations on its fourth quarter financial statement that did not match the original budget and approved amendments. Specifically, the quarterly report overstated the budget for the General Fund receipts by approximately $466,201, Road Fund receipts by $135,973, General Fund appropriations by $5,046,810, and Jail Fund appropriations by $1,711. None of these differences were supported by approved budget amendments.

The fiscal court did not have adequate controls to prevent unauthorized changes to the approved budget within the accounting system. According to the treasurer, this resulted from inadequate training on the budget as she was unaware that the software included a feature to lock the budget after approval, which led to unintentional modifications. Additionally, there was no procedure in place to cross-check quarterly budget figures against the officially adopted budget and amendments prior to submission.

Reporting inaccurate budget figures undermines the reliability of the fiscal court's financial statements and may mislead decision-makers and the public. It also increases the risk that future reporting errors may go undetected.

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. The Department of Local Government's (DLG's) *County Budget Preparation and State Local Finance Officer Policy Manual* requires fiscal courts to report budget amounts on quarterly financial statements that reflect the budget adopted and amended by the fiscal court. Failure to maintain the integrity of the approved budget is a deficiency in internal control over financial reporting.

The Madison County Fiscal Court should implement a review procedure to ensure that quarterly financial statements accurately reflect the budget as adopted and amended by the fiscal court. Staff responsible for financial reporting should receive training on budget controls, the use of system features such as the budget lock, and applicable reporting requirements.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The Treasurer's Office identified that budget amounts reported in the third-quarter FY24 submission dated May 15, 2024, differed from the amount contained in the originally adopted budget. Upon review, it was determined that the discrepancy resulted in insufficient training regarding the software's budget-locking functionality.

The issue was administrative and reporting-related in nature and did not result in misappropriation of funds, unauthorized expenditures, or changes to approved appropriations. All expenditures remained within the budget as adopted by the Fiscal Court and no financial loss or fund discrepancy occurred.

Corrective action was immediately implemented.

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

Section II: Financial Statement Findings (Continued)

2024-002 The Madison County Fiscal Court Did Not Properly Classify And Report Receipts On Its Fourth Quarter Financial Report (Continued)

The Madison County Fiscal Court did not properly classify and report receipts in the receipts ledger and fourth quarter financial statement. Audit testing identified multiple posting errors of operating receipts that resulted in overstatements totaling $877,052 and understatements totaling $792,398.

The following classification errors caused the financial statements and fourth quarter financial report to be materially misstated.

- $877,052 in interfund reimbursements for services provided between departments were incorrectly recorded as operating receipts rather than as interfund transfers.
- $331,298 in negative receipts, including credit card fees, refunds, and unrealized investment losses, were improperly deducted from revenues rather than recorded as disbursements or adjustments.
- $461,100 in payments made directly by the Kentucky Administrative Office of the Courts (AOC) on the county's debt obligation were not included in the county's receipts ledger. Although the AOC made the debt payments directly on behalf of the county in lieu of rent payments, these transactions still represented county receipts and should have been recorded accordingly.

The fiscal court staff lacked sufficient understanding of proper accounting treatment for interfund activity and third-party payments made on behalf of the county. County officials were unaware that reimbursements between funds should be reported as interfund transfers rather than operating receipts, and that payments made by the AOC on the county's behalf constituted receipts that must be recorded. These issues resulted primarily from a lack of accounting knowledge and training rather than from the absence of control procedures. Existing review processes were not designed to verify compliance with the Department for Local Government's (DLG's) uniform accounting classifications.

Failure to accurately classify and report receipts resulted in material misstatements in the fiscal court's financial statements and noncompliance with state financial reporting requirements. Misclassification of receipts reduces the reliability of financial reports that management, fiscal court members, and the public use to assess the county's financial position. It also increases the risk that similar errors could occur in future reporting periods without detection or correction.

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a system of uniform accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* requires counties to properly classify all receipts, interfund transfers, and third-party payments in accordance with the prescribed chart of accounts. Accurate classification and recording of receipts is a basic internal control necessary to ensure the reliability of financial statements and compliance with statutory reporting requirements.

The fiscal court should ensure staff are trained in the proper accounting treatment of receipts, interfund transfers, and third-party payments in accordance with DLG guidance.

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

Section II: Financial Statement Findings (Continued)

2024-002 The Madison County Fiscal Court Did Not Properly Classify And Report Receipts On Their Fourth Quarter Financial Report (Continued)

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The County respectfully disagrees with the recommendation to process transfers between funds in place of payments. The County believes such a process would reduce transparency, as transfer entries do not allow for sufficient detail regarding the purpose of individual transactions and would be more difficult to trace during review.

Similar processes are utilized at the state level through invoicing and issuance of checks between divisions. As such, the County has concerns regarding inconsistent standards between state and local government practices. During the exit conference, members of the audit team acknowledged the County's process appeared to reflect best practices.

The issue regarding negative receipts was identified early in the audit process and corrective action was implemented immediately. The audit team acknowledged there had been a misunderstanding regarding the process by both the former Finance Officer and the audit team. The auditors also indicated they had limited prior experience auditing investments and sought outside guidance during the review process.

The audit team acknowledged this issue was not unique to the County and involved reporting requirements that affect multiple counties. The County respectfully disagrees with the finding and maintains concerns regarding recording receipts and expenditures that do not represent actual cash transactions. The County believes this activity is appropriately reflected within the Liabilities Journal included in the quarterly reporting process.

Auditor's Reply: The DLG *County Budget Preparation and State Local Finance Officer Policy Manual* requires counties to report interfund activity, receipts, disbursements, and transfers in accordance with the DLG reporting requirements and the reporting method used by the county did not comply with these reporting requirements.

2024-003 The Madison County Fiscal Court Failed To Implement Effective Internal Controls Over Expenditures

The Madison County Fiscal Court did not maintain adequate internal controls to ensure that expenditures were properly authorized, supported, and compliant with statutory purchasing requirements.

Testing of 45 disbursements and 18 credit card charges identified the following exceptions:

Expenditures:

- One check, in the amount of $137,290, lacked dual signatures.
- One disbursement, in the amount of $2,536,535, for budgeted sheriff support, was not on the claims list presented to the fiscal court prior to payment.
- Seven disbursements, totaling $94,735, contained coding errors in the disbursements ledger.
- Three disbursements, totaling $181,821, were not paid within 30 business days of the invoice date.
- Nineteen disbursements, totaling $5,216,003, had purchase orders (POs) dated after the acquisition of goods or services or had no PO at all.

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

Section II: Financial Statement Findings (Continued)

2024-003 The Madison County Fiscal Court Failed To Implement Effective Internal Controls Over Expenditures (Continued)

Credit-cards:

- Twelve of the eighteen credit-card charges, totaling $8,857, either lacked POs or had POs dated after the purchase, and were not presented to Fiscal Court prior to payment.
- Two charges, totaling $2,419, lacked supporting documentation.
- Four charges, totaling $577, were recorded to incorrect ledger accounts.
- Two payments, totaling $878, were made after the due date, and finance charges were assessed on multiple monthly statements.

These deficiencies demonstrate that disbursement controls are inconsistently applied, supervisory review is inadequate and required procurement procedures are not always followed. The fiscal court lacks formal written procedures and consistent oversight over purchasing and disbursement processes. Management has not ensured that purchase orders are approved before purchases, all claims are reviewed by the fiscal court before payment, or that bidding and credit-card requirements are consistently followed. Weak supervisory review and limited staff training contributed to the errors and noncompliance.

Without effective internal controls, the fiscal court is exposed to an increased risk of misstatement in its financial records, improper or duplicate payments, and noncompliance with state laws governing purchasing and bidding. These weaknesses also reduce transparency and accountability in the spending of public funds and could result in unnecessary finance charges, inefficient use of funds, and a loss of public trust.

KRS 65.140(2) states in part, “all bills for goods or services shall be paid within thirty (30) working days of receipt of a vendor’s invoice.”

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a system of uniform accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* outlines requirements for counties’ handling of public funds. These requirements include the implementation of a purchase order system. Further, a DLG memorandum dated August 4, 2016, states that “it is a requirement by the State Local Finance Officer that all counties have a purchase order system and follow the guidelines prescribed on Page 54 of the County Budget Preparation and State Local Finance Officer Policy Manual.”

KRS 68.275(2) states in part, “the county judge/executive shall present all claims to the fiscal court for review prior to payment.”

The fiscal court should strengthen its internal controls over disbursements by:

1. Requiring that purchase orders be prepared and approved before the obligation of funds and linked to supporting invoices before payment.
2. Ensuring all claims are included on a claims list and formally approved by the fiscal court prior to payment.
3. Establishing a review process to verify ledger coding accuracy and timeliness of payments.
4. Reviewing credit card controls to prevent late payments and finance charges and to ensure all charges are properly supported and approved.

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

Section II: Financial Statement Findings (Continued)

2024-003 The Madison County Fiscal Court Failed To Implement Effective Internal Controls Over Expenditures (Continued)

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: A check was issued without dual signatures. Of 3,093 checks approved during Fiscal Year 2024, one check lacked dual signatures and was not identified at the banking center level prior to processing. The missing signature was discovered after the check had cleared. Although the check did not contain the required dual signatures, the payment had been properly approved by Fiscal Court through the claims approval process prior to issuance.

The Fiscal Court approved payment to the Sheriff in FY24 Resolution 2023-03 (lines 27–28 of the Sheriff's budget) and FY24 Budget Resolution 2023-07 (Page 6, Budget Line #01-5015-348). Accordingly, the Fiscal Court respectfully disagrees with the statement that the expenditure was "not presented to Fiscal Court for approval," as it was formally presented and approved through multiple Fiscal Court actions. The payment was made pursuant to previously approved budget authority established by the Fiscal Court. Consistent with prior years, Sheriff support payments were processed under that approved authority without additional Fiscal Court action at the time of payment.

The County respectfully disagrees with the finding that the expenditure was improperly classified. Account code 8099-730 was utilized as an "Other Capital Projects – Road" classification based on the capital nature of the purchase and its intended use in road-related operations and projects. Based on the available chart of accounts, the County determined the capital project classification to be the most appropriate option. This matter relates solely to classification and did not result in any unauthorized expenditure, inaccurate financial reporting, or any loss of public funds. The County will continue to review and refine its account coding practices to ensure consistency and accuracy.

Payment was not made within 30 days because the related goods and/or services had not yet been fully received or completed at the time of invoicing. It is a prudent financial practice to verify that goods and services have been fully received, completed, and accepted prior to issuing payment. Accordingly, payment was withheld until completion and verification of the goods and/or services could be confirmed.

Expenditures were processed under Fiscal Court pre-approved standing orders and based on Department for Local Government (DLG) guidance, did not require individual purchase orders at the time of payment. These obligations were previously authorized and established as recurring service agreements, and payments were made in accordance with those approvals and established procedures. The County respectfully disagrees with this finding.

This practice had been utilized under prior finance team procedures and had not been identified as an audit finding in the seven previous audits under this administration. Upon notification from the audit team, the County immediately reviewed the process and implemented revised procedures to ensure compliance and prevent recurrence.

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

Section II: Financial Statement Findings (Continued)

2024-003 The Madison County Fiscal Court Failed To Implement Effective Internal Controls Over Expenditures (Continued)

Auditor's Reply: While the sheriff support payment was included in the approved budget, the budget approval is separate from the requirement in KRS 68.275(2), that claims be presented to the fiscal court for review prior to payment..

The DLG *County Budget Preparation and State Local Finance Officer Policy Manual* states account codes used must identify the expenditure being made for proper classification.

KRS 65.140(2) requires all bills for goods or services to be paid within thirty (30) working days of receipt of an invoice.

Standing orders authorized under KRS 68.275(3) permit certain recurring claims to be paid prior to fiscal court review but do not eliminate the requirement to maintain and follow a purchase order system as prescribed by DLG.

2024-004 The Madison County Fiscal Court Did Not Comply With Bidding Requirements

During testing of 31 disbursements subject to state bidding requirements, we found that the fiscal court did not consistently comply with procurement statutes governing competitive bidding and public advertisement. The following procurement violations were identified:

- One vendor was paid $4,713,424 under the assumption of a sole source exemption; however, the county has not adopted the Model Procurement Code, and therefore the exemption was not applicable.
- Two vehicle purchases, totaling $92,212, made under a state agency price contract did not include two additional vendor quotes as required by the terms of the master agreement.
- Two disbursements, totaling $122,027, represented installment payments on a capital project in which the general trades package was not publicly advertised for bids.
- One purchase, in the amount of $175,130, did not meet the public advertising requirements for sealed bids; the bid notice was only posted online and was not advertised in a newspaper as required by statute.
- One disbursement, in the amount of $70,957, was approved by the fiscal court under the assumption that a state agency price contract was in place when it was not.

These conditions occurred throughout the fiscal year ending June 30, 2026, and demonstrated that the county's procurement process was not operating effectively to ensure compliance with state law.

The fiscal court lacked adequate internal controls to ensure purchases subject to bidding requirements were properly reviewed for statutory compliance before approval. County officials did not have sufficient knowledge or understanding of the specific documentation, advertising, and procedural requirements.

As a result of these weaknesses, the fiscal court did not comply with state procurement statutes. This increases the risk of noncompetitive procurement, favoritism, or improper vendor selection; overpayment for goods and services; and diminished transparency and accountability in the expenditure of public funds. Failure to comply with bidding laws also undermines public confidence in the fiscal court's financial management and oversight.

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

Section II: Financial Statement Findings (Continued)

2024-004 The Madison County Fiscal Court Did Not Comply With Bidding Requirements (Continued)

For the fiscal period audited, KRS 424.260(1) required counties to advertise in a newspaper for bids on all purchases exceeding $40,000 for materials, supplies (excluding certain perishables), equipment, and contractual services other than professional services. This requirement applies unless the purchase qualifies for a specific exemption provided in statute, such as emergencies certified in writing.

KRS 45A.380 allows local public agencies to contract through noncompetitive negotiation (sole source procurement) only when a written determination is made by a designee of the agency that competition is not feasible and that one of the specific statutory exceptions applies.

We recommend the fiscal court ensure all purchases exceeding the applicable threshold are publicly advertised and competitively bid in accordance with KRS 424.260, unless a valid statutory exemption applies. We further recommend the fiscal court implement written policies and internal controls to require documentation of bidding compliance, supervisory review, and legal verification before contracts are approved.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The County respectfully disagrees with this finding. The vendor is the only licensed and authorized [name redacted] vendor serving Central Kentucky.

Following identification of this matter during the audit, the County issued a bid for the maintenance agreement in FY26. [Vendor name redacted] was the only respondent to the solicitation, further supporting its status as the sole qualified vendor capable of servicing the system. The County has maintained a 13-year working relationship with [vendor name redacted] for this system, and this matter has not previously been identified as an audit finding.

Documentation of the original bid opening is available from October 22, 2013 Fiscal Court meeting where the products were public bid and followed all applicable procurement procedures. No unauthorized award occurred.

The County utilizes Kentucky state price contracts for vehicle purchases in accordance with KRS 45A.690, which permits local public agencies to use competitively established Commonwealth contracts in lieu of conducting separate local procurement processes.

Based on longstanding practice and interpretation of this statute, the County understood that purchasing from an awarded vendor under the Commonwealth's Master Agreement at contract pricing satisfied competitive procurement requirements, as the underlying competitive solicitation had already been conducted at the state level. The County was not aware of subsequent changes in state-level purchasing procedures related to supply chain adjustments during the COVID-19 period.

Upon identification of this issue, the County will review and update its procedures to ensure continued compliance with current state procurement requirements.

The County provided bid documentation and public notices related to this project to the audit team for review.

The County interpreted the new KRS law as it relates to public advertising to place an advertisement

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

Section II: Financial Statement Findings (Continued)

2024-004 The Madison County Fiscal Court Did Not Comply With Bidding Requirements (Continued)

Views of Responsible Official and Planned Corrective Action: (Continued)

County Judge/Executive's Response: The County utilized alternative statutory advertising procedures and published required notices in accordance with applicable law. While the County understood that publication in one newspaper satisfied the requirement, notices were published in two newspapers to ensure broader public notice and transparency. The audit team acknowledged that this approach provided enhanced transparency. This interpretation was consistent with practices utilized by other jurisdictions.

This interpretation was based on the County's understanding of applicable requirements at the time of publication.

This matter relates to the Wilgreen Lake State Grant Project managed by the Division of Fish and Wildlife. The County utilized annual bid pricing established under the applicable state formula and pricing. The State requires a special asphalt product for these projects, and the vendor initially charged the applicable special asphalt pricing. Upon identification of the discrepancy, the vendor issued a credit to correct the billing. The County's role in the project was performed in coordination with the Commonwealth in support of the State of Kentucky's project requirements.

Auditor's Reply: The county has not adopted the Model Procurement Code and therefore could not utilize the sole-source procurement provisions of KRS 45A.380.

The fiscal court purchased vehicles through a state agency price contract. However, the fiscal court did not obtain three vendor quotations as the applicable master agreement required.

The general trades package was not publicly advertised for bids as required.

The vendor providing asphalt for the Wilgreen Lake State Grant Project was not a party to a state agency price contract.

2024-005 The Madison County Fiscal Court Did Not Comply With Year-End Reporting and Approval Requirements

The Madison County Fiscal Court did not report any encumbrances on its fourth quarter financial statement submitted to the DLG, despite having outstanding purchase orders at year-end. Instead of reporting these as encumbrances, the fiscal court approved Resolution 2024-67 to "pre-approve" all year-end claims and interfund transfers, and processed payments totaling $483,241 prior to June 30 without presenting them to the fiscal court for review. This process allowed the county to pay outstanding obligations early and avoid reporting encumbrances, while also bypassing the statutory requirement for claim approval.

The fiscal court lacked adequate internal controls to ensure compliance with state procurement and financial reporting laws. County officials misunderstood or were unaware of the statutory requirements for encumbrance reporting and fiscal court claim approval and relied on an unauthorized blanket resolution to process year-end obligations.

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

Section II: Financial Statement Findings (Continued)

2024-005 The Madison County Fiscal Court Did Not Comply With Year-End Reporting and Approval Requirements (Continued)

By not reporting unpaid purchase orders as encumbrances, the fiscal court overstated its unencumbered fund balances on the fourth quarter financial statement. Additionally, by disbursing $483,241 without prior fiscal court approval, the county violated statutory requirements. These actions reduce transparency, increase the risk of inappropriate payments, and represent both a significant deficiency in internal control and noncompliance with state requirements.

KRS 68.210 states that "[t]he administration of the county uniform budget system shall be under the supervision of the state local finance officer who may inspect and shall supervise the administration of accounts and financial operations and shall prescribe…a uniform system of accounts." The *County Budget Preparation and State Local Finance Officer Policy Manual* (Page 72) requires counties to report unpaid purchase orders as encumbrances on the fourth quarter financial statement. The failure to do so represents both noncompliance and a lack of internal controls needed to ensure reliable financial reporting.

KRS 68.275(2) states that "[t]he county judge/executive shall present all claims to the fiscal court for review prior to payment[.]" KRS 68.275(3) further states that "[t]he fiscal court may adopt an order, called a standing order, to preapprove the payment of recurrent monthly payroll and utility expenses and payments to vendors that regularly provide services to the county. No other expenses shall be preapproved pursuant to this subsection without the written consent of the state local finance officer."

We recommend the fiscal court implement internal controls to ensure that all unpaid purchase orders at year-end are properly reported as encumbrances in accordance with DLG requirements. The county should discontinue the use of unauthorized pre-approval resolutions and ensure that all claims and transfers are formally approved by the fiscal court prior to disbursement unless otherwise authorized through a DLG-approved standing order.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: This practice has been utilized by the County for more than 20 years under prior finance administration. To the County's knowledge, it had not previously been identified as an audit finding or formally cited in prior audit reports.

Following discussion with the Audit Team, the County has implemented updated year-end procedures, including the establishment of a final Fiscal Court meeting on June 30 to ensure all year-end payments are reviewed and approved prior to fiscal year close.

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

Section II: Financial Statement Findings (Continued)

2024-006 The Madison County Fiscal Court Did Not Report Investments At Cost Basis On The Fourth Quarter Financial Report

The Madison County Fiscal Court did not accurately report investment balances on its fourth quarter financial report. Investments were presented at market value, which included unrealized gains and losses, rather than on a cost basis as required under the regulatory basis of accounting. To correct the reporting, investment interest was increased by $320,846 in the General Fund, decreased by $120,773 in the ARPA Fund, and decreased by $20,575 in the Opioid Settlement Fund. These error corrections were made to align the quarterly report with cost basis values reflected on the investment statements and required by the DLG's reporting standards.

The fiscal court reported investments on a generally accepted accounting principles (GAAP) basis instead of the regulatory basis prescribed by the State Local Finance Officer. Failure to report investments at cost basis resulted in noncompliance with regulatory reporting standards and inaccurate presentation of investment balances on the county's quarterly financial report.

KRS 68.210 grants the State Local Finance Officer authority to prescribe a uniform system of accounts for counties. In accordance with this statute, the *County Budget Preparation and State Local Finance Officer Policy Manual* require counties to report financial activity on a regulatory (cash) basis. Investments must be reported at cost, and unrealized gains or losses are not recognized.

We recommend Madison County Fiscal Court ensure all investments are reported on a cost basis on quarterly financial reports in accordance with DLG's regulatory reporting standards. The fiscal court should review investment statements each quarter and reconcile reported balances to cost basis amounts prior to submission.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The issue was administrative and reporting-related in nature only and did not result in misappropriation of funds or expenditures. There was no discrepancy in funds.

The audit team assigned to this engagement identified they had no prior experience of auditing investment accounts and investment-related activity.

Following the former Finance Officer's separation from Fiscal Court, the County identified deficiencies in understanding and communication related to certain accounting and reporting procedures.

Auditor's Reply: The Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual* requires counties operating under the regulatory basis of accounting to report investments on a cost basis.

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

Section II: Financial Statement Findings (Continued)

2024-007 The Madison County Fiscal Court Misstated Debt Balances On The Fourth Quarter Financial Report

- The debt schedule included in the fiscal court's fourth quarter financial report, which serves as the county's year-end financial statements submitted to the DLG, contained multiple errors.
- For the Refunding Bonds, Series 2021B, the report listed $4,625,000 in principal and $899,925 in interest, while actual amounts were $4,960,000 and $891,550, respectively. This amount to an understatement of $335,000 in principal and $8,375 in interest.
- The Judicial Center Project, Series 2023 (PPC) was reported at $760,000 in principal and $496,538 in interest, but the actual debt totaled $21,420,000 in principal and $10,357,710 in interest. This error understated balances by $20,660,000 in principal and $9,861,172 in interest.
- For the Energy Project, Series 2021, reported balances of $4,515,000 in principal and $440,337 in interest should have been $5,080,000 in principal and $440,175 in interest. These errors resulted in an understatement of principal of $565,000 and overstatement of interest by $162.
- The Family Court Building, Series 2017 reported $562,568 in interest instead of the actual $562,250, overstating interest by $318 due to a rounding error.
- The Madison County Fire Truck #9 reported $10,952 in interest instead of $10,263, overstating interest by $690.

The errors occurred because the fiscal court did not have adequate internal control procedures in place to ensure the accuracy of reported debt balances on the fourth quarter financial report before submitting it to DLG. Specifically, management did not perform a documented review or reconciliation of the liability section to supporting bond schedules, amortization tables, or payment records.

As a result, the fourth quarter report submitted to DLG contained inaccurate information, resulting in noncompliance with DLG's reporting requirements and reducing the reliability of the county's financial statements. Inaccurate reporting of liabilities may mislead decision-makers, hinder debt management, and impair transparency to the public and oversight agencies.

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 *County Budget Preparation and State Local Finance Officer Policy Manual.* This requires the liabilities section of the fourth quarter financial report to include all current long-term debt.

Further, KRS 46.010(2) requires each county treasurer to "keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements." Maintaining accurate and complete liability records is a fundamental internal control necessary to ensure the accuracy and reliability of financial reporting.

We recommend the fiscal court implement procedures to verify the accuracy of all debt obligations reported on financial statements submitted to the DLG. In addition, the fiscal court should ensure a thorough management review of all sections of the quarterly report before signing and submission.

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

Section II: Financial Statement Findings (Continued)

2024-007 The Madison County Fiscal Court Misstated Debt Balances On The Fourth Quarter Financial Report (Continued)

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The prior Finance Officer and Treasurer were both independently updating and reporting bond payment information, which resulted in inconsistencies in the reporting process. While prior training was provided regarding bond payment updates, a formal reconciliation or secondary review process was not in place to independently verify reported amounts. In addition, payment information was updated separately as transactions were processed.

Following identification of these issues, the current County Treasurer implemented revised reporting and reconciliation procedures to ensure bond payments are consistently recorded, reviewed, and verified for accuracy moving forward.

Regarding the Judicial Center Project, the former Finance Officer reported only the payment amount rather than the total project obligation, resulting in incomplete reporting of the project balance. This issue related to reporting methodology has since been addressed and improved.

The issue was administrative and reporting-related in nature only and did not result in misappropriation of funds or unauthorized expenditures. There was no discrepancy in funds.

2024-008 The Madison County Fiscal Court Failed To Prepare And Submit A Timely Schedule Of Expenditures Of Federal Awards (SEFA) To The Department For Local Government

The Madison County Fiscal Court did not prepare and submit a Schedule of Expenditures of Federal Awards (SEFA) to the DLG with the county's fourth-quarter report. The SEFA was only prepared and provided to the auditors upon request during the audit.

According to the treasurer, the omission was an oversight due to her being new to the position. However, the fiscal court also lacked adequate internal controls and established procedures to ensure the SEFA was accurately prepared and submitted on time.

Failure to prepare and submit the SEFA in a timely manner increases the risk that the county will not identify when a Single Audit is required for federal expenditures exceeding $750,000. This heightens the possibility that federal funds could be misreported, errors or misappropriations could go undetected, and the county could be found noncompliant with federal regulations. Noncompliance could lead to suspension of federal funding and damage the county's reputation for managing grants.

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 *County Budget Preparation and State Local Finance Officer Policy Manual,* in which page 54 states that a Schedule of Expenditures of Federal Awards is required to be maintained under the uniform system of accounts.

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

Section II: Financial Statement Findings (Continued)

2024-008 The Madison County Fiscal Court Failed To Prepare And Submit A Timely Schedule Of Expenditures Of Federal Awards (SEFA) To The Department For Local Government (Continued)

2 CFR 200.510(b) mandates that the auditee must "prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements." At a minimum, the schedule should include the following:

(1) List individual Federal programs by Federal agency.
(2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
(3) Provide total Federal awards expended for each individual Federal program and the Assistance Listings number or other identifying number when the Assistance Listings information is unavailable.
(4) Include the total amount provided to subrecipients from each Federal program.
(5) The total Federal awards expended for loan or loan guarantee programs in the schedule.
(6) Include notes describing the significant accounting policies used in preparing the schedule and whether the auditee elected to use the de minimis indirect cost rate of up to 15 percent.

To ensure compliance with federal and state requirements, we recommend that the fiscal court implement the following measures:

- Develop and document formal procedures for preparing the SEFA, including detailed steps for identifying, compiling, and reporting all federal expenditures.
- Designate staff responsible for overseeing the preparation and review of the SEFA.
- Conduct regular training on federal reporting requirements and internal controls.
- Establish a process for timely submission of the SEFA to DLG, including a schedule for preparing the SEFA in advance of the fourth-quarter reporting deadline.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The Schedule of Expenditures of Federal Awards (SEFA) was not included with the FY24 Q4 reporting submission. In prior years, the SEFA had been prepared and submitted by the former Finance Officer; however, responsibility for the process was not formally transitioned during staffing changes within the Finance Department. As a result, the required submission was inadvertently omitted from the FY24 reporting package.

Upon identification of the issue, the County reviewed and updated its year-end reporting procedures to ensure the SEFA is included with all future Q4 submissions. The FY25 reporting has since been amended to include the SEFA, and additional internal review procedures have been implemented to strengthen compliance and reporting oversight going forward.

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

Section II: Financial Statement Findings (Continued)

2024-009 The Madison County Detention Center Did Not Have Adequate Internal Controls Over Commissary Fund Accounting And Financial Reporting

The Madison County Detention Center did not maintain adequate internal controls over the recording, classification, and reporting of commissary fund receipts, disbursements, and inmate custodial funds.

Specifically, the following deficiencies were noted:

- Daily receipts were not batched intact, recorded by category on a check-out sheet, or reconciled to daily deposits.
- Deposits were not made timely.
- Disbursements were not consistently recorded to the proper accounts on the disbursements ledger, and certain expenditures were for items not allowable under KRS 441.135(2).
- The jailer used the Commissary Fund to pay $68,178 in indigent inmate medical expenses, of which $47,178 was reimbursed by the state as Catastrophic Medical Expenses. These reimbursements cover necessary medical care that should have been paid from the Jail Fund, leaving $21,000 due to the Commissary Fund. In addition, $3,604 in necessary inmate supplies were improperly paid using commissary profits, resulting in a total of $24,604 owed from the Jail Fund to the Commissary Fund.
- The year-end commissary report provided to the county treasurer did not accurately portray the activity of the fund, and it commingled commissary profits with inmate custodial balances that should have been reported separately as fiduciary (custodial) activity under GASB 84.

These deficiencies demonstrate a lack of adequate internal controls over financial reporting for the Commissary Fund and custodial funds maintained by the detention center.

The former jailer did not establish or enforce adequate internal controls to ensure compliance with statutory and regulatory accounting requirements for the Commissary Fund. There were no documented policies or supervisory reviews to verify that receipts were properly batched and deposited, disbursements were accurately classified and allowable, or year-end reports were complete and correct. Controls were also not in place to ensure inmate custodial balances were segregated from commissary activity as required by GASB 84.

Failure to implement proper internal controls over commissary and inmate financial reporting increases the risk of financial misstatements, misappropriation of assets, and noncompliance with statutory requirements. The lack of segregation between commissary and custodial funds resulted in the commingling of inmate and county resources, inaccurate reporting to the fiscal court, and the improper use of commissary profits for basic jail operations. As a result, the Commissary Fund is due $24,604 from the Jail Fund, representing indigent inmate medical and supply expenditures that should have been paid from the Jail Fund.

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. Pursuant to this statute, the State Local Finance Officer has established minimum accounting and reporting standards in the *County Budget Preparation and State Local Finance Officer Policy Manual* applicable to jail commissary funds maintained under KRS 441.135. The manual states:

> "JAIL COMMISSARY RECEIPTS JOURNAL — Receipts should be posted to this journal on a daily basis. The total amount category should agree with the amount deposited line on the Daily Check-Out Sheet."

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

Section II: Financial Statement Findings (Continued)

2024-009 The Madison County Detention Center Did Not Have Adequate Internal Controls Over Commissary Fund Accounting And Financial Reporting (Continued)

KRS 441.135(2)(b) requires the jailer to "keep books of accounts of all receipts and disbursements from the canteen and… annually report to the county treasurer on the canteen account."

KRS 441.045(3) provides that "the cost of providing necessary medical, dental, and psychological care for indigent prisoners in the jail shall be paid from the jail budget."

GASB Statement No. 84 requires governments to report fiduciary (custodial) fund activity separately from proprietary or governmental funds due to the nature of those balances. Inmate custodial funds therefore must not be commingled with commissary funds.

We recommend the Madison County Jailer:

1. Strengthen internal controls over financial reporting to ensure that the year-end commissary report accurately reflects receipts and disbursements by account category and separately report inmate custodial fund activity as a fiduciary fund in accordance with GASB 84.
2. Strengthen controls over receipts processing to ensure receipts are batched intact daily, recorded by category on a daily check-out sheet that agrees to the deposit, and deposited timely.
3. Strengthen controls over disbursements to ensure all expenditures are recorded to the correct account categories, and that commissary profits are used only for to enhance inmate well-being or security withing the jail and not for basic jail operational expense.
4. Have the fiscal court reimburse the Commissary Fund $24,604 from the Jail Fund for indigent inmate medical and supply expenditures improperly paid using commissary funds.
5. Provide ongoing training and supervisory review of detention center bookkeeping staff to ensure compliance with statutory reporting and accounting requirements.

Views of Responsible Official and Planned Corrective Action:

Jailer's Response:

- *All receipts are consolidated daily and then verified by both Finance Officers. After reviewing the daily receipt totals both officers sign off on the reports to verify review. The corresponding bank deposit receipt is then attached to the daily reports. This process provides for daily verification and reconciliation of receipts to the amount deposited.*
- *Kiosks are emptied and deposited daily.*
- *At this time the commissary profit account will have to continue to pay medical bills for the detention center. The budget for this fiscal year has been approved. We will discuss medical bills being paid from the jail fund when preparing the budget for the 27-28 fiscal year.*
- *As of October 2025, the detention center now has separate accounts for the inmate custodial balances and commissary profits.*

We recognize the importance of maintaining adequate internal controls of the inmate commissary account and the profit account. We are committed to maintaining accurate financial records and ensuring that all funds are handled accordingly.

Section III: Federal Award Findings And Questioned Costs

2024-009 The Madison County Detention Center Did Not Have Adequate Internal Controls Over Commissary Fund Accounting And Financial Reporting (Continued)

Views of Responsible Official and Planned Corrective Action: (Continued)

County Judge/Executive's Response: The County acknowledges the finding as it relates to detention center commissary operations; however, under Kentucky statute, the Fiscal Court does not have legal authority over the management, receipts, or disbursements of the commissary account, as those responsibilities are assigned to the Jailer's Office.

Accordingly, the Fiscal Court does not exercise operational control over this account and cannot implement or direct corrective actions within a system it does not administer. While the County respects the inclusion of this matter within the audit report, responsibility for commissary operations and related corrective measures rests with the Jailer's Office under statute.

The County respectfully requests consideration of this statutory distinction in the attribution and presentation of the finding moving forward.

Auditor's Reply: The Jail Commissary Fund is a component unit of the fiscal court and required to be included in the fiscal court's audit.

2024-010 The Madison County Fiscal Court Did Not Comply With Procurement Requirements

Federal Program: Assistance Listing # 97.040 Chemical Stockpile Emergency Preparedness Program
Award Number and Year: Multiple Years – CSEPP Grant
Name of Federal Agency and Pass-Thru Agency: US Department of Homeland Security passed through Kentucky Department of Military Affairs
Compliance Requirements: Procurement, Suspension, and Debarment
Type of Finding: Material Weakness and Material Noncompliance
Amount of Questioned Costs: None
Opinion Modification: Qualified
COVID Related: No

The non-compliances below are also discussed in "Financial Statement Finding 2024-004". The Madison County Fiscal Court receives funding as a part of the Chemical Stockpile Emergency Preparedness Program (CSEPP). As a part of this program, the fiscal court makes expenditures for various goods and services. The fiscal court did not consistently comply with procurement statutes governing competitive bidding and public advertisement as required by the grant.

Thirty expenditures totaling \$6,633,777 were tested and thirteen of these totaling \$4,703,914 did not comply with procurement requirements. The exceptions were as follows:

- One vendor was paid \$4,528,784 under the assumption of a sole source exemption; however, the county has not adopted the Model Procurement Code, and therefore the exemption was not applicable.
- One purchase, in the amount of \$175,130, did not meet the public advertising requirements for sealed bids; the bid notice was posted only online and was not advertised in a newspaper as required by statute.

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

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

2024-010 The Madison County Fiscal Court Did Not Comply With Procurement Requirements (Continued)

The fiscal court lacked adequate internal controls to ensure purchases subject to bidding requirements were properly reviewed for statutory compliance before approval. County officials did not have sufficient knowledge or understanding of the specific documentation, advertising, and procedural requirements applicable to procurement.

As a result of these weaknesses, the fiscal court did not comply with state procurement statutes and is not in compliance with the award requirements under the program. This increases the risk of noncompetitive procurement, favoritism, or improper vendor selection; overpayment for goods and services; and diminished transparency and accountability in the expenditure of public funds. Failure to follow program requirements and comply with bidding laws also undermines public confidence in the fiscal court's financial management and oversight and could negatively affect future funding opportunities.

2 CFR § 200.318(a) requires non-federal entities to have and use documented procurement procedures, consistent with state and local laws and regulations and the applicable federal procurement standards, for the acquisition of property or services under a federal award.

KRS 424.260(1) requires counties to advertise in a newspaper for bids on all purchases exceeding $40,000 for materials, supplies (excluding certain perishables), equipment, and contractual services other than professional services. This requirement applies unless the purchase qualifies for a specific exemption provided in statute, such as emergencies certified in writing.

We recommend the fiscal court ensure procurements made with CSEPP funds comply with applicable federal, state, and local procurement requirements. The fiscal court should ensure purchases are competitively procured and properly advertised when required and that any exceptions to competitive procurement are applicable and adequately documented.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The County respectfully disagrees with this finding. The vendor is the only licensed and authorized [name redacted] vendor serving Central Kentucky.

Following identification of this matter during the audit, the County issued a bid for the maintenance agreement in FY26. [Vendor name redacted] was the only respondent to the solicitation, further supporting its status as the sole qualified vendor capable of servicing the system. The County has maintained a 13-year working relationship with [vendor name redacted] for this system, and this matter has not previously been identified as an audit finding.

Documentation of the original bid opening is available from October 22, 2013 Fiscal Court meeting where the products were public bid and followed all applicable procurement procedures. No unauthorized award occurred.

The County utilized alternative statutory advertising procedures and published required notices in accordance with applicable law. While the County understood that publication in one newspaper satisfied the requirement, notices were published in two newspapers to ensure broader public notice and transparency. The audit team acknowledged that this approach provided enhanced transparency. This interpretation was consistent with practices utilized by other jurisdictions.

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

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

2024-010 The Madison County Fiscal Court Did Not Comply With Procurement Requirements (Continued)

Views of Responsible Official and Planned Corrective Action:

This interpretation was based on the County's understanding of applicable requirements at the time of publication.

Auditor's Reply: The county has not adopted the Model Procurement Code and therefore could not utilize the sole-source procurement provisions of KRS 45A.380.

The general trades package was not publicly advertised for bids as required.

Section IV: Summary Schedule of Prior Audit Findings

None.

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CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

MADISON COUNTY FISCAL COURT

For The Year Ended June 30, 2024

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CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

COUNTY FISCAL COURT

For The Year Ended June 30, 2024

The Madison 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.

R -

County Judge/Executive

Sarah K Stewart

County Treasurer