

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

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



**ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS
auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**

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ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

Independent Auditor's Report

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable David Daugherty, Marion County Judge/Executive
Members of the Marion 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 Marion County Fiscal Court, for the year ended June 30, 2024, and the related notes to the financial statement, which collectively comprise the Marion 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 Marion 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 Marion 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 Marion County Fiscal Court and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable David Daugherty, Marion County Judge/Executive
Members of the Marion County Fiscal Court

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

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

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

To the People of Kentucky
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The Honorable David Daugherty, Marion County Judge/Executive
Members of the Marion County Fiscal Court

Auditor's Responsibilities for the Audit of the Financial Statement (Continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Marion 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.

Emphasis of Matter

As discussed in Note 12 to the financial statement, the entity has had significant transactions with a business controlled by, and with people who are related to, the officers and directors of the entity. Our opinion is not modified with respect to this matter.

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

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

Other Information

Management is responsible for the other information included in this report. The other information is comprised of the schedule of capital assets but does not include the financial statement and our auditor's report thereon. However, the Marion County Fiscal Court did not provide a capital assets schedule to be included in this report. 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.

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The Honorable David Daugherty, Marion County Judge/Executive
Members of the Marion County Fiscal Court

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2025, on our consideration of the Marion 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 Marion County Fiscal Court's internal control over financial reporting and compliance.

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

- 2024-001 The Marion County Fiscal Court Did Not Properly Report Debt Or Leases
- 2024-002 The Marion County Fiscal Court Did Not Have Proper Controls Over Disbursements And Its Purchase Order System
- 2024-003 The Marion County Fiscal Court Has Not Adopted A Fixed Asset Capitalization Policy And Did Not Prepare A Capital Asset Listing For The Fiscal Year
- 2024-004 The Marion County Jail Does Not Have Adequate Controls Over The Commissary And Inmate Accounts

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

October 8, 2025

MARION COUNTY OFFICIALS**For The Year Ended June 30, 2024****Fiscal Court Members:**

David R. Daugherty	County Judge/Executive
Larry Mattingly	Magistrate
Calab Buckman	Magistrate
John R. Fogle	Magistrate
Craig A. Bishop	Magistrate
Joseph P. Kirkland	Magistrate

Other Elected Officials:

Lisa Nally-Martin	County Attorney
Barry Brady	Jailer
Chad G. Mattingly	County Clerk
Kim May	Circuit Court Clerk (July 1, 2023 to October 31, 2024)
Lindsey Strong	Circuit Court Clerk (November 1, 2024 to December 31, 2024)
Tammy Edlin	Circuit Court Clerk (January 1, 2025 to present)
Jimmy Clements	Sheriff
Terry Rakes	Property Valuation Administrator
Robert A. Mattingly	Coroner

Appointed Personnel:

Kevin Cochran	County Treasurer
Melissa Gibson	Finance Officer

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

For The Year Ended June 30, 2024

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

For The Year Ended June 30, 2024

	<u>Budgeted Funds</u>		
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
RECEIPTS			
Taxes	\$ 7,451,243	\$	\$
Excess Fees	6,437		
Licenses and Permits	1,645		
Intergovernmental	523,110	1,720,049	4,725,476
Charges for Services	2,730,216		27
Miscellaneous	1,075,747	90,929	340,275
Interest	510,248	142	292
Total Receipts	<u>12,298,646</u>	<u>1,811,120</u>	<u>5,066,070</u>
DISBURSEMENTS			
General Government	2,164,893		
Protection to Persons and Property	491,556		4,730,337
General Health and Sanitation	2,180,771		
Social Services	326,197		
Recreation and Culture	7,731		
Roads		2,245,941	
Bus Services	18,380		
Debt Service	524,194		
Capital Projects	703,491		
Administration	2,161,508	206,976	1,554,815
Total Disbursements	<u>8,578,721</u>	<u>2,452,917</u>	<u>6,285,152</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>3,719,925</u>	<u>(641,797)</u>	<u>(1,219,082)</u>
Other Adjustments to Cash (Uses)			
Bond Proceeds	6,200,000		
Discount on Bonds	(40,000)		
Payroll Revolving Account	56,040		
Transfers From Other Funds		540,000	1,300,000
Transfers To Other Funds	(2,880,000)		
Total Other Adjustments to Cash (Uses)	<u>3,336,040</u>	<u>540,000</u>	<u>1,300,000</u>
Net Change in Fund Balance	7,055,965	(101,797)	80,918
Fund Balance - Beginning (Restated)	7,510,960	120,510	142,472
Fund Balance - Ending	<u>\$ 14,566,925</u>	<u>\$ 18,713</u>	<u>\$ 223,390</u>
Composition of Fund Balance			
Bank Balance	\$ 14,618,280	\$ 176,611	\$ 500,500
Reconciled Payroll Revolving Account	56,040		
Less: Outstanding Checks	(107,395)	(157,898)	(277,110)
Fund Balance - Ending	<u>\$ 14,566,925</u>	<u>\$ 18,713</u>	<u>\$ 223,390</u>

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

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

Budgeted Funds				
Local Government Economic Assistance Fund	Emergency Medical Services Fund	National Scenic Byway Program Fund	County Clerk Permanent Storage Fee Fund	Opioid Settlement Payments Fund
\$	\$	\$	\$	\$
33,128		1		
	1,225,128			
	23,575		29,310	84,764
61	478		450	806
<u>33,189</u>	<u>1,249,181</u>	<u>1</u>	<u>29,760</u>	<u>85,570</u>
15,033	1,835,585			
				18,700
	466,830			
<u>15,033</u>	<u>2,302,415</u>			<u>18,700</u>
<u>18,156</u>	<u>(1,053,234)</u>	<u>1</u>	<u>29,760</u>	<u>66,870</u>
	1,040,000			
	<u>1,040,000</u>			
18,156	(13,234)	1	29,760	66,870
51,791	123,391	16,037	32,973	79,543
<u>\$ 69,947</u>	<u>\$ 110,157</u>	<u>\$ 16,038</u>	<u>\$ 62,733</u>	<u>\$ 146,413</u>
\$ 69,947	\$ 210,371	\$ 16,038	\$ 62,733	\$ 146,413
	(100,214)			
<u>\$ 69,947</u>	<u>\$ 110,157</u>	<u>\$ 16,038</u>	<u>\$ 62,733</u>	<u>\$ 146,413</u>

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

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

	<u>Unbudgeted Funds</u>			
	<u>Homeland Security Grant Fund</u>	<u>Public Properties Corporation Fund</u>	<u>Jail Commissary Fund</u>	<u>Total Funds</u>
RECEIPTS				
Taxes	\$	\$	\$	\$ 7,451,243
Excess Fees				6,437
Licenses and Permits				1,645
Intergovernmental		885,000		7,886,764
Charges for Services				3,955,371
Miscellaneous			599,847	2,244,447
Interest		2,146		514,623
Total Receipts		<u>887,146</u>	<u>599,847</u>	<u>22,060,530</u>
DISBURSEMENTS				
General Government				2,164,893
Protection to Persons and Property				7,072,511
General Health and Sanitation				2,180,771
Social Services				344,897
Recreation and Culture			625,315	633,046
Roads				2,245,941
Bus Services				18,380
Debt Service		885,001		1,409,195
Capital Projects				703,491
Administration				4,390,129
Total Disbursements		<u>885,001</u>	<u>625,315</u>	<u>21,163,254</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>2,145</u>	<u>(25,468)</u>	<u>897,276</u>
Other Adjustments to Cash (Uses)				
Bond Proceeds				6,200,000
Discount on Bonds				(40,000)
Payroll Revolving Account				56,040
Transfers From Other Funds				2,880,000
Transfers To Other Funds				(2,880,000)
Total Other Adjustments to Cash (Uses)				<u>6,216,040</u>
Net Change in Fund Balance		2,145	(25,468)	7,113,316
Fund Balance - Beginning (Restated)	140	18,297	42,606	8,138,720
Fund Balance - Ending	<u>\$ 140</u>	<u>\$ 20,442</u>	<u>\$ 17,138</u>	<u>\$ 15,252,036</u>
Composition of Fund Balance				
Bank Balance	\$ 140	\$ 20,442	\$ 23,809	\$ 15,845,284
Reconciled Payroll Revolving Account				56,040
Less: Outstanding Checks			(6,671)	(649,288)
Fund Balance - Ending	<u>\$ 140</u>	<u>\$ 20,442</u>	<u>\$ 17,138</u>	<u>\$ 15,252,036</u>

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

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TO THE FINANCIAL STATEMENT**

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**MARION COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2024

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

MARION 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.

Emergency Medical Services Fund - The primary purpose of this fund is to account for the emergency medical services expenses of the county. The primary source of receipts is charges for services provided.

National Scenic Byway Program Fund - The primary purpose of this fund is to account for grant funds and related expenditures as they relate to the national scenic by-way project. The primary sources of receipts for this fund are grants from the state and matching contributions from the various counties this by-way runs through.

County Clerk Permanent Storage Fee Fund - The primary purpose of this fund is to account for storage fees collected by the county clerk and disbursements related to permanent storage for the county clerk's office. These funds are required to be held and budgeted by the county treasurer for the use of the county clerk.

Opioid Settlement Payments Fund - The primary purpose of this fund is to account for receipts and disbursements associated with the funds received from the state's settlement with three major pharmaceutical distributors in the United States.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Homeland Security Grant Fund - The primary purpose of this fund is to account for some emergency equipment expenses of the county. The primary sources of receipts for this fund are federal and state grants. This fund was not budgeted due to having no disbursements for the fiscal year.

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

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

D. Budgetary Information

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information (Continued)

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. Marion County Elected Officials

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

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

F. Deposits and Investments

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

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

G. Long-term Obligations

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

H. Related Obligations and Jointly Governed Organizations

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

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants do not retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a jointly governed organization. The Marion County Fiscal Court entered into an agreement with the City of Springfield and the Washington County Fiscal Court to form the Marion-Washington Airport Board but have no financial interest, thus creating a jointly governed organization.

Note 2. Deposits

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk but rather follows the requirements of the DLG's *County Budget Preparation and State Local Finance Officer Policy Manual*. As of June 30, 2024, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Transfers

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

	General Fund	Total Transfers In
Road Fund	\$ 540,000	\$ 540,000
Jail Fund	1,300,000	1,300,000
Emergency Medical Services Fund	1,040,000	1,040,000
Total Transfers Out	<u>\$ 2,880,000</u>	<u>\$ 2,880,000</u>

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

Note 3. Transfers (Continued)

Reason for transfers:

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

Note 4. Custodial Funds

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

The fiscal court has the following custodial funds:

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 \$168,100.

Inmate Bond Fund - This fund accounts for bond monies held for custodial purposes only until remitted to the proper agencies or individuals. The balance in the Inmate Bond Fund as of June 30, 2024, was \$248.

Note 5. Leases

A. Lessor

1. On August 1, 2016, the Marion County Fiscal Court began leasing real property known as “Allens View” to Communicare, Inc., a Kentucky nonprofit corporation. The lessee has the option to extend this lease for up to five years without any other change in the agreement. The lease automatically renewed on August 1, 2021. The Marion County Fiscal Court will receive monthly payments of \$850. The Marion County Fiscal Court recognized \$10,200 in lease revenue during the current fiscal year related to this lease. As of June 30, 2024, the Marion County Fiscal Court’s receivable for lease payments was \$21,250.
2. On November 30, 2015, the Marion County Public Properties Corporation (the corporation), a blended component unit of the fiscal court, began leasing the judicial center to the Administrative Office of the Courts (AOC). The lease is for two years, and the rental payments shall agree to the annual principal and interest costs on the bonds issued for the construction of the building. On July 1 of each even numbered year, the lease may be renewed by AOC, for another biennial period of two years. The lease renewal shall automatically be considered to have been affirmatively exercised each even numbered year by AOC, unless notice of its election not to exercise the option for the biennial period be given by AOC to the corporation, the trustee, and the county in writing at least 60 days prior to the renewal date hereof. The corporation recognized \$885,000 in lease revenue during the current fiscal year. As of June 30, 2024, the corporation’s receivable for lease payments was \$4,437,450.

B. Lessee

1. On December 16, 2021, the Marion County Fiscal Court entered into a five-year lease agreement as lessee for the acquisition and use of office equipment at the Marion County Detention Center. An initial lease liability was recorded in the amount of \$7,740 during fiscal year 2022. The Marion County Fiscal Court is required to make monthly principal payments of \$129. As of June 30, 2024, the value of the lease liability was \$3,741.

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

Note 5. Leases (Continued)

B. Lessee (Continued)

1. (Continued)

The future principal lease payments as of June 30, 2024, were as follows:

Fiscal Year Ended June 30	Amount
2025	\$ 1,548
2026	1,548
2027	<u>645</u>
Total Minimum Lease Payments	<u>\$ 3,741</u>

2. On June 24, 2022, the Marion County Fiscal Court entered into a five-year lease agreement as lessee for the use of office equipment at the Marion County Detention Center. An initial lease liability was recorded in the amount of \$7,740 during fiscal year 2022. The Marion County Fiscal Court is required to make monthly principal payments of \$129. As of June 30, 2024, the value of the lease liability was \$4,515. The future principal lease payments as of June 30, 2024, were as follows:

Fiscal Year Ended June 30	Amount
2025	\$ 1,548
2026	1,548
2027	<u>1,419</u>
Total Minimum Lease Payments	<u>\$ 4,515</u>

3. On January 16, 2024, the Marion County Fiscal Court entered into a five-year lease agreement as lessee for the use of office equipment at the Marion County Detention Center. An initial lease liability was recorded in the amount of \$29,924 during the current fiscal year. The Marion County Fiscal Court is required to make monthly principal payments of \$499. As of June 30, 2024, the value of the lease liability was \$26,931. The future principal lease payments as of June 30, 2024, were as follows:

Fiscal Year Ended June 30	Amount
2025	\$ 5,985
2026	5,985
2027	5,985
2028	5,985
2029	<u>2,991</u>
Total Minimum Lease Payments	<u>\$ 26,931</u>

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

Note 5. Leases (Continued)

B. Lessee (Continued)

4. On May 31, 2024, the Marion County Fiscal Court entered into a five-year lease agreement as lessee for the use of office equipment at the Marion County Detention Center. An initial lease liability was recorded in the amount of \$47,329 during the current fiscal year. The Marion County Fiscal Court is required to make monthly principal payments of \$789. As of June 30, 2024, the value of the lease liability was \$46,540. The future principal lease payments as of June 30, 2024, were as follows:

Fiscal Year Ended June 30	Amount
2025	\$ 9,466
2026	9,466
2027	9,466
2028	9,466
2029	8,676
Total Minimum Lease Payments	<u>\$ 46,540</u>

5. On June 14, 2022, the Marion County Fiscal Court entered into a ten-year lease agreement as lessee for the use of medical equipment by the Marion County Emergency Medical Service. An initial lease liability was recorded in the amount of \$1,327,100 during fiscal year 2022. The Marion County Fiscal Court is required to make annual principal payments of \$132,710. As of June 30, 2024, the value of the lease liability was \$1,061,680. The future principal lease payments as of June 30, 2024, were as follows:

Fiscal Year Ended June 30	Amount
2025	\$ 132,710
2026	132,710
2027	132,710
2028	132,710
2029	132,710
2030-2032	398,130
Total Minimum Lease Payments	<u>\$1,061,680</u>

6. On August 29, 2023, the Marion County Fiscal Court entered into a five-year lease agreement as lessee for the acquisition and use of a postage meter at the detention center which was to begin on January 10, 2024. An initial lease liability was recorded in the amount of \$4,331 during the current fiscal year. The Marion County Fiscal Court is required to make quarterly principal payments of \$206. As of June 30, 2024, the value of the lease liability was \$3,713.

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

Note 5. Leases (Continued)

B. Lessee (Continued)

6. (Continued)

The future principal lease payments as of June 30, 2024, were as follows:

Fiscal Year Ended June 30	Amount
2025	\$ 825
2026	825
2027	825
2028	825
2029	413
Total Minimum Lease Payments	<u>\$ 3,713</u>

Note 6. Long-term Debt

A. Direct Borrowings

1. Marion County Administration Building

On December 16, 2003, the Marion County Public Properties Corporation entered into a contract, lease, and option in the amount of \$3,500,000 with Farmers National Bank for the purpose of funding the construction of the Marion County Administration Building. The corporation entered into a supplemental lease agreement with the county whereby the county leases the property until November 1, 2023, for an amount equivalent to the lease payments. The interest rate is variable and is calculated based on the outstanding principal balance. Payments are made quarterly. The date of the final maturity of the obligation was November 1, 2023. In the event of default, the lease agreement may be terminated by the corporation or financial institution and all payments for which the county has become committed shall come due and payable. This debt obligation was paid off during the current fiscal year.

2. Marion County Administration Building

On August 20, 2004, the Marion County Public Properties Corporation entered into a contract, lease, and option in the amount of \$1,000,000 with Farmers National Bank for the purpose of funding the construction of the Marion County Administration Building. The corporation entered into a supplemental lease agreement with the county whereby the county leases the property until November 1, 2023, for an amount equivalent to the lease payments. The interest rate is variable and is calculated based on the outstanding principal balance. Payments are made quarterly. The date of the final maturity of the obligation was November 1, 2023. In the event of default, the lease agreement may be terminated by the corporation or financial institution and all payments for which the county has become committed shall come due and payable. This debt obligation was paid off during the current fiscal year.

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

Note 6. Long-term Debt (Continued)

A. Direct Borrowings (Continued)

3. City of Bradfordsville Fire Department Tanker Truck

On May 21, 2014, the Marion County Fiscal Court entered into a promissory note in the amount of \$179,975 with Peoples Bank for the purpose of funding the purchase of a tanker truck for the City of Bradfordsville's Fire Department at an interest rate of 4.0 percent. Payments are made monthly. The date of the final maturity of the obligation is January 21, 2028. The loan is unsecured. In the event of default, the interest rate on this note shall be increased by 3 percentage points. As of June 30, 2024, the outstanding principal balance was \$57,904. Principal payment requirements and scheduled interest for the remaining term of the contract are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2025	\$ 13,944	\$ 2,095
2026	14,521	1,519
2027	15,120	919
2028	14,319	295
Totals	<u>\$ 57,904</u>	<u>\$ 4,828</u>

4. Central Kentucky Community Action Building

On May 5, 2008, the Marion County Public Properties Corporation entered into a contract, lease, and option in the amount of \$495,000 with Kentucky Association of Counties for the purpose of funding the purchase of an office building by Central Kentucky Community Action Council, Inc. at an interest rate of 4.501 percent. Payments are made monthly. The date of the final maturity of the obligation is April 20, 2028.

Whenever any event of default has occurred and is continuing, the lessor may, without any further demand or notice, take one or any combination of the following remedial steps:

- (a) Terminate the lease term and give notice to the lessee to vacate or surrender the project within sixty days from the date of such notice;
- (b) sell or re-lease the project or any portion thereof;
- (c) recover from the lessee:
 - a. the lease rental payment which would otherwise have been payable hereunder during any period in which the lessee continues to use, occupy or retain possession of the project; and
 - b. lease rental payments which would otherwise have been payable hereunder after the lessee vacates or surrenders the project during the remainder of the fiscal year in which such event of default occurs; or
- (d) take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the project under this lease and any collateral documents (including, without limitation, the right to possession of the project and the right to sell or re-lease or otherwise dispose of the project in accordance with applicable law), subject, however to the limitations contained in this lease with respect to the lessee's obligations upon the occurrence of an event of nonappropriation; and/or take whatever action at law or in equity may appear necessary or desirable to enforce performance by the lessee of the applicable covenants and agreements of the lessee under this lease (subject, however, to the limitations thereon contained in this lease) and to recover damages for the breach thereof.

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

Note 6. Long-term Debt (Continued)

A. Direct Borrowings (Continued)

4. Central Kentucky Community Action Building (Continued)

No remedy herein conferred upon or reserved to the lessor is intended to be exclusive, and every such remedy will be cumulative and will be in addition to every other remedy given hereunder and every remedy now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default will impair any such right and power may be exercised from time to time as often as may be deemed expedient. If any agreement contained herein should be breached by either party and thereafter waived by the other party, such waiver will be limited to the particular breach so waived and will not be deemed to waive any other breach hereunder.

The lessee will remain liable for all covenants and obligations under this lease, and for all legal fees and other costs and expenses, including court costs awarded by a court of competent jurisdiction, incurred by the lessor with respect to the enforcement of any of the remedies under this lease, when a court of competent jurisdiction has finally adjudicated that an event of default has occurred.

As of June 30, 2024, the outstanding principal balance was \$130,993. Principal payment requirements and scheduled interest for the remaining term of the contract are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2025	\$ 32,087	\$ 5,475
2026	33,519	4,036
2027	35,016	2,532
2028	30,371	913
Totals	<u>\$ 130,993</u>	<u>\$ 12,956</u>

5. Multi-Purpose Room

On August 8, 2023, the Marion County Fiscal Court entered into a general obligation lease in the amount of \$6,200,000 with Kentucky Association of Counties for the purpose of funding the acquisition, construction, installation, and equipping of a new multi-purpose building at an interest rate of 4.2 percent. If an event of default occurs and continues beyond a period of 30 days following notice of default given in writing to such defaulting party by any other party hereto or by a beneficiary hereof as identified in Section 4(G), the non-defaulting party or any such beneficiary may (and, at the request of the participating underwriter or the holders of at least 25% aggregate principal amount of outstanding corporation bonds, the non-defaulting party shall), enforce the obligations of the defaulting party under this agreement; provided, however, the sole remedy available in any proceeding to enforce this agreement shall be an action in mandamus, for specific performance or similar remedy to compel performance. As of June 30, 2024, the outstanding principal balance was \$6,175,000. Principal payment requirements and scheduled interest for the remaining term of the contract are as follows:

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

Note 6. Long-term Debt (Continued)

A. Direct Borrowings (Continued)

5. Multi-Purpose Room (Continued)

Fiscal Year Ending June 30	Principal	Scheduled Interest
2025	\$ 55,000	\$ 296,663
2026	55,000	293,693
2027	60,000	290,598
2028	70,000	284,107
2029	120,000	282,078
2030-2034	720,000	1,301,277
2035-2039	950,000	1,078,687
2040-2044	1,200,000	827,387
2045-2049	1,485,000	529,676
2050-2053	1,460,000	155,074
Totals	<u>\$ 6,175,000</u>	<u>\$ 5,339,240</u>

B. Other Debt

1. First Mortgage Revenue Refunding Bonds, Series 2015

On November 5, 2015, the Marion County Public Properties Corporation issued revenue bonds, series 2015, in the amount of \$5,760,000 for the purpose of partially refunding the first mortgage revenue bonds, series 2009. Simultaneously with the issuance of the bonds, the corporation entered into a lease agreement with the Administrative Office of the Courts for rental payments sufficient to pay 100 percent of the debt service cost of the bonds. Payments are made semi-annually. The date of the final maturity of the obligation is March 1, 2029. A mortgage has been issued secured by the judicial center. In the event of default, the judicial center will be repossessed by the financial institution. As of June 30, 2024, the outstanding principal balance was \$4,060,000. Principal payment requirements and scheduled interest for the remaining term of the notes are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2025	\$ 765,000	\$ 122,800
2026	790,000	99,850
2027	810,000	76,150
2028	835,000	51,850
2029	860,000	26,800
Totals	<u>\$ 4,060,000</u>	<u>\$ 377,450</u>

MARION 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	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 394,973	\$ 6,200,000	\$ 231,076	\$ 6,363,897	\$ 101,031
Revenue Bonds	4,800,000		740,000	4,060,000	765,000
Total Long-term Debt	<u>\$ 5,194,973</u>	<u>\$ 6,200,000</u>	<u>\$ 971,076</u>	<u>\$ 10,423,897</u>	<u>\$ 866,031</u>

D. Aggregate Debt Schedule

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

Fiscal Year Ended June 30	Other Debt		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2025	\$ 765,000	\$ 122,800	\$ 101,031	\$ 304,233
2026	790,000	99,850	103,040	299,248
2027	810,000	76,150	110,136	294,049
2028	835,000	51,850	114,690	285,315
2029	860,000	26,800	120,000	282,078
2030-2034			720,000	1,301,277
2035-2039			950,000	1,078,687
2040-2044			1,200,000	827,387
2045-2049			1,485,000	529,676
2050-2053			1,460,000	155,074
Totals	<u>\$ 4,060,000</u>	<u>\$ 377,450</u>	<u>\$ 6,363,897</u>	<u>\$ 5,357,024</u>

Note 7. Commitments and 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.

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

Note 8. Employee Retirement System

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

The county's contribution for FY 2022 was \$1,315,871, FY 2023 was \$1,462,091, and FY 2024 was \$1,350,868.

Nonhazardous

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

Hazardous

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

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

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

Note 8. Employee Retirement System (Continued)

Hazardous (Continued)

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

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

The county's contribution rate for hazardous employees was 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.

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

Note 8. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

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

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

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

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

C. 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.

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

Note 8. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

G. Annual Financial Report and Proportionate Share Audit Report

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

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

Note 9. Deferred Compensation

The Marion 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 10. Health Reimbursement Account

The Marion County Fiscal Court established a health reimbursement account on January 1, 2015, to provide employees an additional health benefit. The county has contracted with a third-party administrator to administer the plan. The plan provides a debit card to each eligible employee providing \$4,000 each year for a single plan and \$8,000 for all other upgraded plans to pay for qualified medical expenses. The available balance for this plan is \$577,181 as of June 30, 2024.

Note 11. Insurance

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

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

Note 12. Related Party Transactions

A. Marion County Industrial Foundation, Inc

David R. Daugherty, Marion County Judge/Executive, is on the board of directors for Marion County Industrial Foundation, Inc. (also known as Marion County Economic Development) as a result of his elected position. On September 21, 2023, the fiscal court approved purchasing a 4.25 acre tract of land from the industrial foundation for \$425,000 using a contribution of \$425,000 from the industrial foundation. The fiscal court also approved the deed for this property. On September 22, 2023, the industrial foundation contributed \$425,000 to the fiscal court. These funds were deposited to the General Fund on September 27, 2023. On September 28, 2023, the fiscal court purchased a 4.25 acre tract of land at \$100,000 per acre from the industrial foundation for total purchase price of \$425,000 from the General Fund. In addition, the fiscal court contributed \$178,000 to the industrial foundation during fiscal year 2024.

B. Magistrates

1. One of the elected magistrates owns a local landscaping company that provides services to the Marion County Fiscal Court. The Marion County Fiscal Court paid a total of \$1,615 on products and services from this company during the year.
2. One of the elected magistrates is employed by a pest control company that provides services to the Marion County Fiscal Court. The Marion County Fiscal Court paid a total of \$4,047 on products and services from this company during the year. The magistrate does not perform the services to the county personally.

C. Jailer

Barry Brady, Marion County Jailer, serves as president of the St. Joseph Catholic Community Heritage, Inc. (also known as St. Joe's Community Center). The Marion County Fiscal Court contributed a total of \$4,250 to this non-profit organization during fiscal year 2024.

Note 13. Payroll Revolving Account

The reconciled balance of the payroll revolving account as of June 30, 2024, was added to the General Fund cash balance for financial reporting purposes.

Note 14. Conduit Debt

From time to time the county has issued industrial building revenue bonds to provide financial assistance to third parties that are not part of the issuer's financial reporting entity for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest, in accordance with KRS 103.210. This debt may take the form of certain types of limited-obligation revenue bonds, certificates of participation, or similar debt instruments. Although conduit debt obligations bear the Marion 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.

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

Note 15. Tax Abatements

A. Maker's Mark Distillery, Inc. 2012

The ad valorem tax was abated under the authority of KRS 103.285 and Resolution 2012-950.07 adopted by the county in July 2012. Maker's Mark Distillery, Inc. is eligible to receive this tax abatement as a result of its commitment to promote economic development and increase jobs pursuant to a Payment in Lieu of Taxes (PILOT) Agreement dated as of July 1, 2012. The taxes are abated by a percentage reduction of the amount of ad valorem taxes levied by the county. The PILOT Agreement terminates on the day immediately following the date no bonds issued by the county pursuant to applicable taxing authorities. Pursuant to KRS 103.230(2), the bonds do not represent an obligation to the county nor constitute a pledge of the full faith, credit, and taxing power of the county.

B. Maker's Mark Distillery, Inc. 2018

The ad valorem tax was abated under the authority of KRS 103.285 and adopted by the county in May 2018. Maker's Mark Distillery, Inc. is eligible to receive this tax abatement as a result of its commitment to promote economic development and increase jobs pursuant to a Payment in Lieu of Taxes (PILOT) Agreement dated as of June 1, 2018. The taxes are abated by a percentage reduction of the amount of ad valorem taxes levied by the county. The PILOT Agreement terminates on the day immediately following the date no bonds issued by the county pursuant to applicable taxing authorities. Pursuant to KRS 103.230(2), the bonds do not represent an obligation to the county nor constitute a pledge of the full faith, credit, and taxing power of the county.

For fiscal year ended June 30, 2024, the county abated taxes of \$410,874. As part of the PILOT Agreement, the county committed to abate these taxes. No other county tax is abated.

Note 16. Subsequent Events

- A. On December 19, 2024, the Marion County Fiscal Court entered into a general obligation lease in the amount of \$576,000 with premium of \$24,000 with Kentucky Association of Counties Finance Corporation (corporation) providing \$600,000 for the purpose of costs of acquiring, constructing, installing, and equipping 911 emergency communication equipment and facilities. Principal is payable annually on December 20 and interest is payable semiannually on June 20 and December 20. The interest rate is variable. The maturity date of the lease is December 20, 2034. The agreement is secured by the fiscal court's security interest in the property being financed by the agreement. In the event of default, the corporation is entitled to the fiscal court's security interest in the property being financed.
- B. In November 2025, the county executed a settlement to resolve a wrongful death civil lawsuit. Under the terms of the settlement, the county is obligated to pay \$1.6 million.

Note 17. Prior Period Adjustments

The beginning balance of the General Fund has been restated to remove the payroll revolving account reconciled balance of \$196,428 and to add prior year outstanding checks totaling \$55 that were voided during the current fiscal year.

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

For The Year Ended June 30, 2024

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MARION 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	\$ 6,281,000	\$ 6,281,000	\$ 7,451,243	\$ 1,170,243
Excess Fees			6,437	6,437
Licenses and Permits	3,000	3,000	1,645	(1,355)
Intergovernmental	460,600	460,600	523,110	62,510
Charges for Services	2,455,000	2,455,000	2,730,216	275,216
Miscellaneous	275,600	275,600	1,075,747	800,147
Interest	100,000	100,000	510,248	410,248
Total Receipts	<u>9,575,200</u>	<u>9,575,200</u>	<u>12,298,646</u>	<u>2,723,446</u>
DISBURSEMENTS				
General Government	2,544,900	2,612,400	2,164,893	447,507
Protection to Persons and Property	589,300	595,800	491,556	104,244
General Health and Sanitation	2,113,100	2,365,600	2,180,771	184,829
Social Services	300,000	366,500	326,197	40,303
Recreation and Culture	132,000	132,000	7,731	124,269
Bus Services	10,000	19,000	18,380	620
Debt Service	436,500	667,000	524,194	142,806
Capital Projects	6,129,000	6,129,000	703,491	5,425,509
Administration	3,343,200	2,650,700	2,161,508	489,192
Total Disbursements	<u>15,598,000</u>	<u>15,538,000</u>	<u>8,578,721</u>	<u>6,959,279</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(6,022,800)</u>	<u>(5,962,800)</u>	<u>3,719,925</u>	<u>9,682,725</u>
Other Adjustments to Cash (Uses)				
General Obligation Lease Proceeds	5,600,000	5,600,000	6,200,000	600,000
Discount on General Obligation Lease			(40,000)	(40,000)
Transfers To Other Funds	(3,477,200)	(3,477,200)	(2,880,000)	597,200
Total Other Adjustments to Cash (Uses)	<u>2,122,800</u>	<u>2,122,800</u>	<u>3,280,000</u>	<u>1,157,200</u>
Net Change in Fund Balance	(3,900,000)	(3,840,000)	6,999,925	10,839,925
Fund Balance - Beginning (Restated)	<u>3,900,000</u>	<u>3,900,000</u>	<u>7,510,960</u>	<u>3,610,960</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 60,000</u>	<u>\$ 14,510,885</u>	<u>\$ 14,450,885</u>

MARION 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	\$ 1,573,000	\$ 1,611,000	\$ 1,720,049	\$ 109,049
Miscellaneous	12,000	95,000	90,929	(4,071)
Interest	500	500	142	(358)
Total Receipts	<u>1,585,500</u>	<u>1,706,500</u>	<u>1,811,120</u>	<u>104,620</u>
DISBURSEMENTS				
Roads	2,450,000	2,598,000	2,245,941	352,059
Administration	301,000	274,000	206,976	67,024
Total Disbursements	<u>2,751,000</u>	<u>2,872,000</u>	<u>2,452,917</u>	<u>419,083</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,165,500)</u>	<u>(1,165,500)</u>	<u>(641,797)</u>	<u>523,703</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,065,500	1,065,500	540,000	(525,500)
Total Other Adjustments to Cash (Uses)	<u>1,065,500</u>	<u>1,065,500</u>	<u>540,000</u>	<u>(525,500)</u>
Net Change in Fund Balance	(100,000)	(100,000)	(101,797)	(1,797)
Fund Balance - Beginning	<u>100,000</u>	<u>100,000</u>	<u>120,510</u>	<u>20,510</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 18,713</u>	<u>\$ 18,713</u>

MARION 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	\$ 4,988,100	\$ 4,988,100	\$ 4,725,476	\$ (262,624)
Charges for Services	2,000	2,000	27	(1,973)
Miscellaneous	206,000	290,000	340,275	50,275
Interest	200	200	292	92
Total Receipts	<u>5,196,300</u>	<u>5,280,300</u>	<u>5,066,070</u>	<u>(214,230)</u>
DISBURSEMENTS				
Protection to Persons and Property	4,781,800	4,944,800	4,730,337	214,463
Administration	1,846,200	1,767,200	1,554,815	212,385
Total Disbursements	<u>6,628,000</u>	<u>6,712,000</u>	<u>6,285,152</u>	<u>426,848</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,431,700)</u>	<u>(1,431,700)</u>	<u>(1,219,082)</u>	<u>212,618</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,331,700	1,331,700	1,300,000	(31,700)
Total Other Adjustments to Cash (Uses)	<u>1,331,700</u>	<u>1,331,700</u>	<u>1,300,000</u>	<u>(31,700)</u>
Net Change in Fund Balance	(100,000)	(100,000)	80,918	180,918
Fund Balance - Beginning	<u>100,000</u>	<u>100,000</u>	<u>142,472</u>	<u>42,472</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 223,390</u>	<u>\$ 223,390</u>

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

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 74,900	\$ 74,900	\$ 33,128	\$ (41,772)
Interest	100	100	61	(39)
Total Receipts	<u>75,000</u>	<u>75,000</u>	<u>33,189</u>	<u>(41,811)</u>
DISBURSEMENTS				
Protection to Persons and Property	20,000	20,000	15,033	4,967
Administration	112,000	112,000		112,000
Total Disbursements	<u>132,000</u>	<u>132,000</u>	<u>15,033</u>	<u>116,967</u>
Net Change in Fund Balance	(57,000)	(57,000)	18,156	75,156
Fund Balance - Beginning	<u>57,000</u>	<u>57,000</u>	<u>51,791</u>	<u>(5,209)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 69,947</u>	<u>\$ 69,947</u>

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

	EMERGENCY MEDICAL SERVICES FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Charges for Services	\$ 1,150,000	\$ 1,150,000	\$ 1,225,128	\$ 75,128
Miscellaneous	12,000	25,000	23,575	(1,425)
Interest			478	478
Total Receipts	<u>1,162,000</u>	<u>1,175,000</u>	<u>1,249,181</u>	<u>74,181</u>
DISBURSEMENTS				
Protection to Persons and Property	1,720,000	1,871,000	1,835,585	35,415
Administration	572,000	494,000	466,830	27,170
Total Disbursements	<u>2,292,000</u>	<u>2,365,000</u>	<u>2,302,415</u>	<u>62,585</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,130,000)</u>	<u>(1,190,000)</u>	<u>(1,053,234)</u>	<u>136,766</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>1,080,000</u>	<u>1,080,000</u>	<u>1,040,000</u>	<u>(40,000)</u>
Total Other Adjustments to Cash (Uses)	<u>1,080,000</u>	<u>1,080,000</u>	<u>1,040,000</u>	<u>(40,000)</u>
Net Change in Fund Balance	(50,000)	(110,000)	(13,234)	96,766
Fund Balance - Beginning	<u>50,000</u>	<u>50,000</u>	<u>123,391</u>	<u>73,391</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (60,000)</u>	<u>\$ 110,157</u>	<u>\$ 170,157</u>

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

NATIONAL SCENIC BYWAY PROGRAM FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 84,000	\$ 84,000	\$ 1	\$ (83,999)
Total Receipts	84,000	84,000	1	(83,999)
DISBURSEMENTS				
Recreation and Culture	100,000	100,000		100,000
Total Disbursements	100,000	100,000		100,000
Net Change in Fund Balance	(16,000)	(16,000)	1	16,001
Fund Balance - Beginning	16,000	16,000	16,037	37
Fund Balance - Ending	\$ 0	\$ 0	\$ 16,038	\$ 16,038

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

COUNTY CLERK PERMANENT STORAGE FEE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 29,000	\$ 29,000	\$ 29,310	\$ 310
Interest			450	450
Total Receipts	<u>29,000</u>	<u>29,000</u>	<u>29,760</u>	<u>760</u>
DISBURSEMENTS				
General Government	<u>58,000</u>	<u>58,000</u>		<u>58,000</u>
Total Disbursements	<u>58,000</u>	<u>58,000</u>		<u>58,000</u>
Net Change in Fund Balance	(29,000)	(29,000)	29,760	58,760
Fund Balance - Beginning	<u>29,000</u>	<u>29,000</u>	<u>32,973</u>	<u>3,973</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 62,733</u>	<u>\$ 62,733</u>

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

OPIOID SETTLEMENT PAYMENTS FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
	RECEIPTS			
Miscellaneous	\$ 19,500	\$ 19,500	\$ 84,764	\$ 65,264
Interest	100	100	806	706
Total Receipts	<u>19,600</u>	<u>19,600</u>	<u>85,570</u>	<u>65,970</u>
DISBURSEMENTS				
Social Services			18,700	(18,700)
Administration	99,000	99,000		99,000
Total Disbursements	<u>99,000</u>	<u>99,000</u>	<u>18,700</u>	<u>80,300</u>
Net Change in Fund Balance	(79,400)	(79,400)	66,870	146,270
Fund Balance - Beginning	<u>79,400</u>	<u>79,400</u>	<u>79,543</u>	<u>143</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 146,413</u>	<u>\$ 146,413</u>

**MARION 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.

Note 2. Reconciliation of the General Fund

The Statement of Receipts, Disbursements, and Changes in Fund Balances – Regulatory Basis differs from the Budgetary Comparison Schedule for the General Fund due to the addition of the unexplained balance in the payroll account.

Note 3. Excess of Disbursements Over Appropriations

The Opioid Settlement Payments Fund, social services line-item exceeded budgeted appropriations by \$18,700.

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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***

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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 David Daugherty, Marion County Judge/Executive
Members of the Marion 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 Marion County Fiscal Court for the fiscal year ended June 30, 2024, and the related notes to the financial statement which collectively comprise the Marion County Fiscal Court's financial statement and have issued our report thereon dated October 8, 2025.

Report on Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2024-001, 2024-002, and 2024-004 to be material weaknesses.



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

Report on Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Marion County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2024-001, 2024-002, 2024-003, and 2024-004.

Views of Responsible Officials and Planned Corrective Action

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

Purpose of this Report

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

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

October 8, 2025

**MARION COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2024

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**MARION COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2024

FINANCIAL STATEMENT FINDINGS:

2024-001 The Marion County Fiscal Court Did Not Properly Report Debt Or Leases

During the year ending June 30, 2024, the fiscal court entered into a general obligation lease for the multi-purpose building project with lease proceeds totaling \$6,200,000 with a discount of \$40,000. In addition, the fiscal court had earnings of \$252,876 and no disbursements. As of June 30, 2024, the fiscal court's acquisition account related to the general obligation lease had a balance of \$6,412,876. The fiscal court recorded the outstanding amount of debt on the liabilities section of its fourth quarterly report but failed to post the activity related to the general obligation lease to the fourth quarterly report, receipts ledger, or disbursements ledger. In addition, the fiscal court failed to include the lease of the judicial center to the Administrative Office of the Courts (AOC) on the GASB 87 worksheet with receivable as of June 30, 2024, of \$4,437,450.

The county treasurer stated he was unaware that he needed to record the total amount of debt proceeds and related activity on the quarterly reports and ledgers since the money was being held in a bank account by third party. The county treasurer stated he believed he should record the revenue when the fiscal court received reimbursement of construction disbursements from the third party. The county treasurer was also unaware the lease of the judicial center with AOC was required to be included on the GASB 87 worksheet since the lease was with the Public Properties Corporation. Further, the fiscal court did not have adequate controls in place to ensure these transactions were reflected in the fiscal court's financial statement and notes to financial statement.

The quarterly report General Fund receipts were understated by \$252,876; other adjustments to cash were understated by \$6,160,000; and the ending fund balance was understated by \$6,412,876. In addition, the GASB 87 lessor schedule was understated by \$4,437,450.

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

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. According to the *County Budget Preparation and State Local Finance Officer Policy Manual*, all financial activity, including transactions through a third party, must be recorded on the county's financial statements. In addition, the manual states, "[i]n order to achieve fair presentation, the notes to the financial statement(s), whether prepared utilizing the regulatory basis or GAAP basis, should include all informative disclosures that are appropriate, including all matters that affect the financial statements' use, understanding and interpretation." GASB Statement No. 87 requires governments to disclose information about lease arrangements in the notes to the financial statements

We recommend the fiscal court implement controls to ensure all lease transactions are accurately budgeted and posted on the fiscal court's quarterly report and ledgers in accordance with the *County Budget Preparation and State Local Finance Officer Policy Manual*. In addition, we recommend the fiscal court implement controls to ensure all leases are disclosed on the GASB 87 worksheet.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Marion County Fiscal Court will ensure that the lease with AOC for the judicial building will be included on the GASB 87 worksheet going forward.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2024-002 The Marion County Fiscal Court Did Not Have Proper Controls Over Disbursements And Its Purchase Order System

During disbursements testing the following exceptions were noted:

- Eighty-three disbursements totaling \$5,149,040 out of 87 disbursements tested were paid without a purchase order being issued.
- Six disbursements totaling \$676,359 were not paid within 30 days of receiving the invoice.
- One invoice totaling \$1,256 was paid three times from the Jail Fund.

These exceptions occurred due to a lack of management oversight and because the county judge/executive's office did not prepare purchase orders for recurring expenses. In addition, due to this lack of oversight all pertinent information was not included on the purchase orders.

As a result of not issuing purchase orders, funds were encumbered without ensuring that budget appropriation was available. These deficiencies could also result in claims being paid that are not obligations of the fiscal court and inaccurate reporting and misappropriation of assets.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual*, which states, "[p]urchases shall not be made without approval by the judge/executive (or designee), and/or a department head."

Furthermore, per the same manual, purchase order systems are required for fiscal courts and should be issued for all goods and services utilized by the fiscal court. The Department for Local Government issued a memorandum on August 4, 2016, in which it "highly recommends" implementation of issuing purchase orders for payroll and utilities.

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[.]"

We recommend the Marion County Fiscal Court ensure purchase orders are obtained prior to all purchases with pertinent information to ensure sufficient line-item budget is available prior to purchase. Furthermore, we recommend all disbursements be paid within 30 days of receiving the invoice.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The Marion County Judge Executive, Marion County Treasurer and Marion County Finance Officer will review the current Administrative Code and purchase order system and recommend changes to the policy.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2024-003 The Marion County Fiscal Court Has Not Adopted A Fixed Asset Capitalization Policy And Did Not Prepare A Capital Asset Listing For The Fiscal Year

The Marion County Fiscal Court has not adopted a capitalization threshold policy for fixed assets and did not prepare a capital asset listing for the fiscal year. The fiscal court was not aware of the Department for Local Government's (DLG's) requirement to adopt a capitalization threshold policy for fixed assets. Per the finance officer, the county prepares an additions and disposals schedule for auditors each year with items listed at market value; however, the county does not maintain a complete capital asset listing.

As a result, the fiscal court is not in compliance with DLG's *County Budget Preparation and State Local Finance Officer Policy Manual* and capital assets were not disclosed as required.

According to DLG's *County Budget Preparation and State Local Finance Officer Policy Manual*, "[a]n annual physical inventory of property and equipment shall be conducted on or before June 30. Physical counts must be compared to the master asset inventory listing. Resulting differences must be reconciled, explained, and documented." The manual requires the counties to maintain a schedule of additions and retirements or disposals of capital assets in accordance with the county's capitalization policy. Further, the manual requires assets be recorded at historical cost instead of fair market value.

We recommend the fiscal court adopt a capitalization threshold policy and ensure a complete capital asset schedule is prepared and maintained per DLG policy.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Marion County Fiscal Court will adopt a Fixed Asset Capitalization Policy and prepare a capital asset listing going forward.

2024-004 The Marion County Jail Does Not Have Adequate Controls Over The Commissary And Inmate Accounts

The Marion County Jail failed to establish and implement adequate controls over the commissary and inmate accounts. As a result, the following deficiencies were noted during the audit:

- The jailer maintains three bank accounts: the commissary account, the inmate trust fund account, and the bond account. None of the three bank accounts were properly reconciled at year-end. All outstanding items were not included on the bank reconciliations, and stale-dated checks were not voided in the accounting software. The year-end bank reconciliations for the inmate trust fund account and commissary account overstated outstanding checks by \$27,356 and \$1,893 respectively. These checks were voided during the year. As a result, the inmate trust fund account was not properly reconciled to total individual inmate balances.
- The jail commissary annual financial statement presented to fiscal court was incorrect and did not include all required information with the ending balance reconciled to the bank balance. The commissary report omitted commissary receipts and disbursements totaling \$527,587 that were paid from the inmate trust fund account.
- Booking, bonding, housing and medical fees collected from August 2023 to October 2023 were not remitted to the fiscal court until November 28, 2023.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2024-004 The Marion County Jail Does Not Have Adequate Controls Over The Commissary And Inmate Accounts (Continued)

As a result, the following deficiencies were noted during the audit: (Continued)

- Disbursement ledgers for the commissary account and inmate trust fund account were not accurate. The inmate account disbursement ledger was overstated by \$1,046 due to duplicate check entries and check amounts that were inaccurately posted to the ledger. The commissary account disbursement ledger was overstated by \$418 due to checks that had been voided during the year.
- Daily checkout sheets were not prepared for receipts of the commissary account or the inmate trust fund account.
- Receipt forms are not prepared and maintained for the commissary account.
- Receipts for both the inmate trust fund account and commissary account are not being deposited to the bank accounts on a daily basis. Receipts tested were deposited to the accounts between two and 14 days after collection date.
- Six of 12 disbursements tested were not paid within 30 days of the invoice date.
- The jailer failed to maintain adequate supporting documentation for one of 12 disbursements tested in the amount of \$652.
- The jailer paid \$1,780 to one vendor for one disbursement tested; however, the total due per invoices maintained by the jailer was only \$1,378.
- Four duplicate payments totaling \$51,179 were made to one vendor during the fiscal year.
- The jailer contracted inmate telecommunications services from one vendor totaling \$171,590 in fiscal year ending June 30, 2024, without obtaining bids.
- The jailer purchased general commissary inventory items from one vendor totaling \$57,662 and another vendor totaling \$287,638 in fiscal year ending June 30, 2024, without obtaining bids.
- Auditors were unable to trace all disbursements from the individual inmate balance reports to the commissary reports and order sheets provided to the auditors for 3 of 6 inmate accounts tested.
- A lack of segregation of duties over jail commissary activity was noted. The jail has two bookkeepers with one solely taking care of the inmate account and bond account and the other solely in charge of the jail commissary account. They each prepare deposits, issue receipts, prepare and sign checks, post to the receipt and disbursement ledgers, and prepare bank reconciliations for their respective accounts. The bookkeepers rarely review each other's work, and there is no documentation of review by the jailer.

These deficiencies occurred due to the lack of sufficient supervisory review of the accounting process, including daily deposits, timely disbursements, monthly bank reconciliations and year-end reports. In addition, per the jailer's office manager, the jail was forced to switch accounting software mid-year due to a software malfunction and there were errors in the transfer of accounting entries to the new ledgers. Failure to bid for inmate commissary purchases occurred due to lack of management oversight and understanding of the law. According to the jailer, the lack of segregation of duties is a result of a limited budget, which restricts the number of employees the jailer can hire or delegate duties to.

As a result of these deficiencies, the annual commissary report presented to the county treasurer was inaccurate and did not reflect actual receipts or disbursements of the jail commissary. By not properly reconciling bank accounts and maintaining accurate disbursement ledgers, the jail lacks a clear view of its financial health.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2024-004 The Marion County Jail Does Not Have Adequate Controls Over The Commissary And Inmate Accounts (Continued)

Further, proper reconciliation of the inmate trust fund account and maintaining accurate inmate reports is necessary to ensure that funds being held in trust for the inmates are available and are accounted for separately from jail commissary account funds. Improper reconciliation of the inmate trust fund account has resulted in an unexplained overage in the account of \$154,014 payable to the commissary account.

When daily checkout sheets are not prepared, receipts are not issued, and deposits are not made timely, the risk that the bank accounts can be overdrawn is increased and there is an increased risk of misappropriation of funds. Maintaining inadequate supporting documentation for disbursements, not agreeing amounts paid to invoices, and making duplicate payments to vendors could cause the jail to overpay vendors and further increases the risk of misappropriation of funds. The jailer was not in compliance with state statutes regarding bid requirements and timely payments to vendors. The jailer paid a \$45 finance charge to one vendor as a result of these late payments.

The lack of segregation of duties and a lack of management review and oversight could result in the undetected misappropriation of assets and has resulted in inaccurate financial reporting to the fiscal court.

KRS 46.010(2) requires, “each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements.” KRS 46.010(3) requires, “all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires.” Segregation of duties and management’s thorough review of monthly bank reconciliations and year-end reports are basic internal controls necessary to ensure the accuracy and reliability of financial reports.

KRS 441.135(2)(b) states, “[t]he jailer shall keep books of accounts of all receipts and disbursements from the canteen and shall annually report to the county treasurer on the canteen account.”

Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in DLG’s *County Budget Preparation and State Local Finance Officer Policy Manual*. The minimum requirements established in the manual include daily checkout sheets, receipts journals, disbursements journals, and a year-to-date summary and reconciliation report. This report may be used for the year-end report submitted to the county treasurer pursuant to KRS 441.135(2).

KRS 441.137(1) states, “[f]or any moneys in an inmate account or prisoner canteen account of a jail that are not returned to a prisoner at the time he or she is released from the jail, the jailer shall transmit a check for the balance of the moneys by first class mail to the released prisoner at his or her last known address. If the check is returned as undeliverable, then the jailer shall attempt to contact the prisoner at a telephone number on file, if any, to arrange the return of the moneys. If the moneys are not claimed after the jailer fulfills the requirements of this subsection, the moneys shall be presumed abandoned after one (1) year after the date the check is mailed or, if an attempt to call is made, the date of the phone call.”

KRS 441.137(2) states, “[a]ny abandoned moneys as set out in subsection (1) of this section shall, if in a prisoner account, be transferred into the canteen account if these are two (2) different accounts, or shall remain in the canteen account and be available for the purposes set out in KRS 441.135.”

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2024-004 The Marion County Jail Does Not Have Adequate Controls Over The Commissary And Inmate Accounts (Continued)

The *County Budget Preparation and State Local Finance Officer Policy Manual* requires pre-numbered three-part receipt forms to be issued for all receipts, the utilization of daily cash check-out sheets by officials, and daily deposits of receipts into a federally insured banking institution.

KRS 65.140 requires claims against the county to be paid within 30 working days.

KRS 424.260(1) states, “[e]xcept where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract, lease, or other agreement for: (a) Materials; (b) Supplies, except perishable foods such as meat, poultry, fish, egg products, fresh vegetables, and fresh fruits; (c) Equipment; or (d) Contractual services other than professional; involving an expenditure of more than forty thousand dollars (\$40,000) without first making newspaper advertisement for bids.”

Per Section 164 of the Kentucky Constitution, “[n]o county, city, town, taxing district or other municipality shall be authorized or permitted to grant any franchise or privilege, or make any contract in reference thereto, for a term exceeding twenty years. Before granting such franchise or privilege for a term of years, such municipality shall first, after due advertisement, receive bids therefor publicly, and award the same to the highest and best bidder; but it shall have the right to reject any or all bids.”

We recommend the Marion County Jail do the following:

- Submit a detailed and accurate annual financial statement to the county treasurer for the Jail Commissary Fund. The financial statement should be compiled using financial information from receipts and disbursement journals, with the ending balance reconciled to the bank balance, and properly reconciled to total inmate individual balances.
- Account for inmate deposits, which are custodial funds held in trust by the jail, separately from the canteen funds, which belong to the jail.
- Prepare accurate ledgers and bank reconciliations.
- Follow KRS 441.137 to determine the amount of unexplained overage in the inmate trust fund account that can be transferred to the commissary account.
- Prepare three-part receipt forms for all receipts, prepare daily checkout sheets, make deposits intact daily, pay all invoices timely, and adhere to bid laws.
- Contact the telecommunications vendor to determine if a refund is due to the jail as a result of the duplicate payments made during the year.
- Segregate incompatible duties over the accounting functions. If segregation of duties is not feasible due to lack of staff, we recommend the jailer implement and document compensating controls and supervisory review.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2024-004 The Marion County Jail Does Not Have Adequate Controls Over The Commissary And Inmate Accounts (Continued)

Views of Responsible Official and Planned Corrective Action:

Jailer's Response:

- *All stale dated checks will be written off in the accounting software at year end so the accounts are not overstated and can be properly reconciled.*
- *Commissary receipts and disbursements that were paid from the inmate trust fund account will be included in the jail commissary annual financial statement presented to the fiscal court.*
- *Booking, bonding, housing and medical fees collected are now remitted to the fiscal court within 5 business days following the end of the collection month.*
- *The new canteen clerk and new business manager will more closely monitor the account ledgers to ensure no duplicate check entries are made, correct check amounts are entered in the ledger and all voided checks are removed.*
- *Daily checkout sheets for receipts of the commissary account and inmate trust fund account were implemented at the beginning of FY2024-2025 and continue to be used.*
- *Receipts will be prepared and maintained for all monies received by the jail.*
- *The new canteen clerk will begin making all deposits within twenty-four hours of receipt.*
- *The new canteen clerk and new business manager will ensure all invoices are paid within 30 days of the receipt date.*
- *The new canteen clerk and new business manager will ensure proper invoices are attached to all disbursements.*
- *The new canteen clerk and new business manager will ensure disbursements match invoice amounts.*
- *The new canteen clerk and new business manager will more thoroughly check for previous payments before paying invoices.*
- *The jailer will request bids for telecommunications services at the end of each contract period.*
- *The purchase of general commissary inventory has never been a contracted service, a limited amount of inventory is purchased by the jail and kept on hand; the remainder is individual purchases made by the inmate population directly from the vendor; therefore, we do not agree that these purchases require a bid process.*
- *The inability to trace all disbursements from the individual inmate balance reports to the commissary reports and orders sheets has been rectified with the software change from [software name redacted] to [software name redacted] as [software name redacted] provides more accessibility to reporting.*
- *The canteen clerk makes deposits to the commissary account and issues receipts, while the business manager makes disbursements, issues receipts, and completes the reconciliation. The canteen clerk solely makes disbursements, issues receipts, makes deposits and reconciles the inmate account; however the jailer and business manager review the reconciliation and sign off on it.*

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2024-004 The Marion County Jail Does Not Have Adequate Controls Over The Commissary And Inmate Accounts (Continued)

Auditor's Reply: Inmate funds are maintained in a bank account controlled by the Jailer. That bank account made purchases of commissary inventory from two commissary vendors totaling \$57,662 and \$287,638, respectively. KRS 424.260 requires advertisement for bids or contracts involving an expenditure of more than \$40,000. The situation described by the jailer potentially implicates the application of Section 164 of the Kentucky Constitution because it grants a special privilege to the vendor that is not available to the general public. Similar to KRS 424.260(1), Section 164 requires advertisement for bids and selection of the highest bidder.

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

MARION COUNTY FISCAL COURT

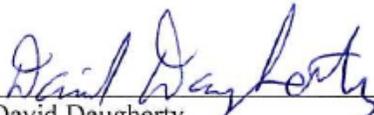
For The Year Ended June 30, 2024

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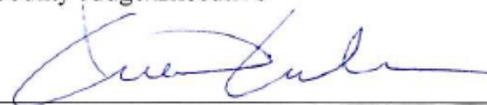
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
MARION COUNTY FISCAL COURT

For The Year Ended June 30, 2024

The Marion 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.



David Daugherty,
County Judge/Executive



Kevin Cochran,
County Treasurer