

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

**For The Year Ended  
June 30, 2023**

**Roy W Hunter, CPA, PLLC  
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Lexington, KY 40509**

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To the People of Kentucky  
The Honorable Andy Beshear, Governor  
Holly M. Johnson, Secretary  
Finance and Administration Cabinet  
The Honorable Jimmie W. Greene II, McCreary County Judge/Executive  
Members of the McCreary County Fiscal Court

Independent Auditor's Report

***Opinions***

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances – Regulatory Basis of the McCreary County Fiscal Court, for the year ended June 30, 2023, and the related notes to the financial statement, which collectively comprise the McCreary County Fiscal Court's financial statement as listed in the table of contents.

*Unmodified Opinion on Regulatory Basis of Accounting*

In our opinion, the accompany financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and changes in fund balances – regulatory basis of the McCreary County Fiscal Court, for the year ended June 30, 2023, 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 McCreary County Fiscal Court, for the year ended June 30, 2023, 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 McCreary County Fiscal Court and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

McCreary 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.

### ***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 McCreary County Fiscal Court's internal control. Accordingly, no such opinion is expressed.
- 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the McCreary County Fiscal Court's ability to continue as a going concern for a reasonable period of time.

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

**Other Matters**

***Supplementary Information***

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

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

***Other Information***

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

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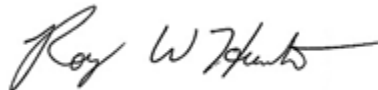
**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2025, on our consideration of the McCreary 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 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 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 McCreary County Fiscal Court's internal control over financial reporting and compliance.

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

- 2023-001 The Payroll Revolving Account Was Not Properly Reconciled
- 2023-002 The Fiscal Court Did Not Have Proper Purchase And Procurement Procedures
- 2023-003 The Fiscal Court Did Not Segregate Duties Over Accounting Functions
- 2023-004 The McCreary County Fiscal Court's Internal Controls Over Payroll Were Not Operating Effectively

Respectfully submitted,



Roy W. Hunter, CPA, PLLC  
Lexington, Kentucky

February 21, 2025

**MCCREARY COUNTY OFFICIALS****For The Year Ended June 30, 2023****Fiscal Court Members:**

|                      |                        |
|----------------------|------------------------|
| Jimmie W. Greene, II | County Judge/Executive |
| Bill Hale            | Magistrate             |
| Roger Phillips       | Magistrate             |
| Bobby Strunk         | Magistrate             |
| Randy Maxwell        | Magistrate             |

**Other Elected Officials:**

|                 |   |
|-----------------|---|
| Austin Price    | County Attorney                                 |
| Jessie Hatfield | Jailer  |
| Eric Haynes     | County Clerk                                    |
| Othel King      | Circuit Court Clerk                             |
| Randy Waters    | Former Sheriff - July 1, 2022 - January 1, 2023 |
| David Sampson   | Sheriff - January 2, 2023 - June 30, 2023       |
| Dwight Ross     | Property Valuation Administrator                |
| Tim Corder      | Coroner   |

**Appointed Personnel:**

|                      |                         |
|----------------------|-------------------------|
| Geraldine Laxton     | County Treasurer        |
| Nathan H. Nevels, II | Deputy Judge Executive  |
| Randy Jones          | Chief Financial Officer |

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

**For The Year Ended June 30, 2023**

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

**For The Year Ended June 30, 2023**

|   | <u>Budgeted Funds</u>   |                      |                      |
|---|-------------------------|----------------------|----------------------|
|   | <u>General<br/>Fund</u> | <u>Road<br/>Fund</u> | <u>Jail<br/>Fund</u> |
| <b>RECEIPTS</b>                         |                         |                      |                      |
| Taxes                                   | \$ 902,672              | \$                   | \$                   |
| In Lieu Tax Payments                    | 436,865                 | 256,691              |                      |
| Excess Fees                             | 14,957                  |                      |                      |
| Licenses and Permits                    | 170,501                 |                      |                      |
| Intergovernmental                       | 1,552,384               | 1,863,263            | 93,651               |
| Charges for Services                    | 2,228,504               |                      |                      |
| Miscellaneous                           | 188,863                 | 199,599              | 47,688               |
| Interest                                | 2,291                   | 503                  | 116                  |
| Total Receipts                          | <u>5,497,037</u>        | <u>2,320,056</u>     | <u>141,455</u>       |
| <b>DISBURSEMENTS</b>                    |                         |                      |                      |
| General Government                      | 1,580,511               |                      |                      |
| Protection to Persons and Property      | 2,477,956               |                      | 1,024,157            |
| General Health and Sanitation           | 218,788                 |                      |                      |
| Social Services                         |                         |                      |                      |
| Recreation and Culture                  | 294,377                 |                      |                      |
| Airports                                | 224,097                 |                      |                      |
| Roads                                   |                         | 2,614,543            |                      |
| Road Facilities                         |                         | 308,075              |                      |
| Administration                          | 1,710,148               | 471,002              | 47,608               |
| Total Disbursements                     | <u>6,505,877</u>        | <u>3,393,620</u>     | <u>1,071,765</u>     |
| Excess (Deficiency) of Receipts Over    |                         |                      |                      |
| Disbursements Before Other              |                         |                      |                      |
| Adjustments to Cash (Uses)              | <u>(1,008,840)</u>      | <u>(1,073,564)</u>   | <u>(930,310)</u>     |
| <b>Other Adjustments to Cash (Uses)</b> |                         |                      |                      |
| Payroll Revolving Account               | 48,082                  |                      |                      |
| Transfers From Other Funds              | 3,069,696               | 850,000              | 900,343              |
| Transfers To Other Funds                | (1,010,006)             | (24,539)             |                      |
| Total Other Adjustments to Cash (Uses)  | <u>2,107,772</u>        | <u>825,461</u>       | <u>900,343</u>       |
| Net Change in Fund Balance              | 1,098,932               | (248,103)            | (29,967)             |
| Fund Balance - Beginning (Restated)     | <u>2,786,531</u>        | <u>719,387</u>       | <u>195,719</u>       |
| Fund Balance - Ending                   | <u>\$ 3,885,463</u>     | <u>\$ 471,284</u>    | <u>\$ 165,752</u>    |
| <b>Composition of Fund Balance</b>      |                         |                      |                      |
| Bank Balance                            | \$ 3,881,725            | \$ 474,341           | \$ 165,752           |
| Payroll Revolving Account               | 48,082                  |                      |                      |
| Less: Outstanding Checks                | <u>(44,344)</u>         | <u>(3,057)</u>       |                      |
| Fund Balance - Ending                   | <u>\$ 3,885,463</u>     | <u>\$ 471,284</u>    | <u>\$ 165,752</u>    |

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

**MCCREARY COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**  
**For The Year Ended June 30, 2023**  
**(Continued)**

| Budgeted Funds  |                           |                                |                             |                              |               |                           |  |
|---|---------------------------|--------------------------------|-----------------------------|------------------------------|---------------|---------------------------|--|
| Local<br>Government<br>Economic<br>Assistance<br>Fund | Federal<br>Grants<br>Fund | Ambulance<br>Equipment<br>Fund | Occupational<br>Tax<br>Fund | Opioid<br>Settlement<br>Fund | Grant<br>Fund | Revolving<br>Loan<br>Fund | American<br>Rescue<br>Plan Act<br>Fund |
| \$  | \$                        | \$                             | \$ 2,253,536                | \$                           | \$            | \$                        | \$                                     |
| 4,578   | 10,000                    |                                |                             |                              | 35,336        |                           |  |
|   |                           | 60,000                         |                             | 139,141                      |               | 71,392                    |  |
| 34  |                           | 32                             | 171                         | 60                           | 15            | 153                       | 953                                    |
| 4,612   | 10,000                    | 60,032                         | 2,253,707                   | 139,201                      | 35,351        | 71,545                    | 953                                    |
|   |                           |                                |                             |                              | 11,356        |                           |  |
|   | 10,000                    |                                |                             |                              |               |                           | 4,879                                  |
| 100   |                           |                                |                             |                              |               | 9,042                     |  |
| 100   | 10,000                    |                                |                             |                              | 11,356        | 9,042                     | 4,879                                  |
| 4,512   |                           | 60,032                         | 2,253,707                   | 139,201                      | 23,995        | 62,503                    | (3,926)                                |
| 4,352   |                           |                                | (2,220,696)                 |                              |               |                           | 6                                      |
| 4,352   |                           |                                | (2,220,696)                 |                              |               |                           | (1,569,156)                            |
| 8,864   |                           | 60,032                         | 33,011                      | 139,201                      | 23,995        | 62,503                    | (1,573,076)                            |
| 39,623  |                           | 5,209                          | 43,005                      |                              | 1,085         | 149,075                   | 1,573,076                              |
| \$ 48,487   | \$ 0                      | \$ 65,241                      | \$ 76,016                   | \$ 139,201                   | \$ 25,080     | \$ 211,578                | \$ 0                                   |
| \$ 48,487   | \$                        | \$ 65,241                      | \$ 76,016                   | \$ 139,201                   | \$ 25,080     | \$ 211,578                | \$                                     |
| \$ 48,487   | \$ 0                      | \$ 65,241                      | \$ 76,016                   | \$ 139,201                   | \$ 25,080     | \$ 211,578                | \$ 0                                   |

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

**MCCREARY COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**  
**For The Year Ended June 30, 2023**  
**(Continued)**

|   | Budgeted Funds                          |                        | Unbudgeted Fund            | Total Funds         |
|---|---|------------------------|----------------------------|---------------------|
|   | County Clerk Permanent Storage Fee Fund | OVC Project - AML Fund | OVC Expansion Project Fund |                     |
| <b>RECEIPTS</b>                         |   |                        |                            |                     |
| Taxes                                   | \$                                      | \$                     | \$                         | \$ 3,156,208        |
| In Lieu Tax Payments                    |   |                        |                            | 693,556             |
| Excess Fees                             |   |                        |                            | 14,957              |
| Licenses and Permits                    |   |                        |                            | 170,501             |
| Intergovernmental                       |   | 297,330                | 172,547                    | 4,029,089           |
| Charges for Services                    |   |                        |                            | 2,228,504           |
| Miscellaneous                           | 20,840                                  |                        |                            | 727,523             |
| Interest                                | 10                                      |                        |                            | 4,338               |
| Total Receipts                          | <u>20,850</u>                           | <u>297,330</u>         | <u>172,547</u>             | <u>11,024,676</u>   |
| <b>DISBURSEMENTS</b>                    |   |                        |                            |                     |
| General Government                      | 1,223                                   | 93,350                 |                            | 1,675,084           |
| Protection to Persons and Property      |   |                        |                            | 3,513,469           |
| General Health and Sanitation           |   |                        |                            | 218,788             |
| Social Services                         |   |                        |                            | 14,879              |
| Recreation and Culture                  |   |                        |                            | 294,377             |
| Airports                                |   |                        |                            | 224,097             |
| Roads                                   |   |                        |                            | 2,614,643           |
| Road Facilities                         |   |                        |                            | 308,075             |
| Administration                          |   |                        | 172,546                    | 2,410,346           |
| Total Disbursements                     | <u>1,223</u>                            | <u>93,350</u>          | <u>172,546</u>             | <u>11,273,758</u>   |
| Excess (Deficiency) of Receipts Over    |   |                        |                            |                     |
| Disbursements Before Other              |   |                        |                            |                     |
| Adjustments to Cash (Uses)              | <u>19,627</u>                           | <u>203,980</u>         | <u>1</u>                   | <u>(249,082)</u>    |
| <b>Other Adjustments to Cash (Uses)</b> |   |                        |                            |                     |
| Payroll Revolving Account               |   |                        |                            | 48,082              |
| Transfers From Other Funds              |   |                        |                            | 4,824,397           |
| Transfers To Other Funds                |   |                        |                            | (4,824,397)         |
| Total Other Adjustments to Cash (Uses)  |   |                        |                            | <u>48,082</u>       |
| Net Change in Fund Balance              | 19,627                                  | 203,980                | 1                          | (201,000)           |
| Fund Balance - Beginning (Restated)     |   |                        | 1                          | 5,512,711           |
| Fund Balance - Ending                   | <u>\$ 19,627</u>                        | <u>\$ 203,980</u>      | <u>\$ 2</u>                | <u>\$ 5,311,711</u> |
| <b>Composition of Fund Balance</b>      |   |                        |                            |                     |
| Bank Balance                            | \$ 19,627                               | \$ 203,980             | \$ 2                       | \$ 5,311,030        |
| Payroll Revolving Account               |   |                        |                            | 48,082              |
| Less: Outstanding Checks                |   |                        |                            | (47,401)            |
| Fund Balance - Ending                   | <u>\$ 19,627</u>                        | <u>\$ 203,980</u>      | <u>\$ 2</u>                | <u>\$ 5,311,711</u> |

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

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENT**

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**MCCREARY COUNTY  
NOTES TO FINANCIAL STATEMENT**

**June 30, 2023**

**Note 1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The financial statement of McCreary County includes all budgeted and unbudgeted funds under the control of the McCreary 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 as the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

The McCreary County Tourism Commission and Industrial Development Authority would have been included in the reporting entity under accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. However, under the regulatory basis, they no longer are required components of the reporting entity.

**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.

**MCCREARY COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2023**  
**(Continued)**

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

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

**Budgeted Funds (Continued)**

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

Federal Grant Fund - The primary purpose of this fund is to manage utility assistance funds received by the county from the federal government.

Ambulance Equipment Fund-The primary purpose of this fund is to account for the purchase of new ambulance equipment. The primary source of receipts for this fund is state grants.

Occupational Tax Fund - The primary purpose of this fund is to account for the collection of occupational taxes. The primary sources of receipts for this fund are occupational employment tax and net profit tax.

Opioid Settlement Fund - The primary purpose of this fund is to account for opioid settlements funds received and expended

Grant Fund - The primary purpose of this fund is to manage state and federal grants received by the county. The primary sources of receipts for this fund are state and federal grants.

Revolving Loan Fund - The primary purpose of this fund is to account for the county's small business revolving loan program. The primary source of receipts for this fund is loan repayments.

American Rescue Plan Act Fund - The primary purpose of this fund is to manage the American Rescue Plan Act (ARPA) funds received by the county from the federal government.

County Clerk Permanent Storage Fee Fund - The primary purpose of this fund is to account for activity related to storage fees. The primary sources of receipts for this fund are storage fees collected by the county clerk.

OVC Project – AML Fund - The primary purpose of this fund is to manage the Abandoned Mine Land funds received by the county from the federal government.

**MCCREARY COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2023**  
**(Continued)**

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

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

**Unbudgeted Funds**

The fiscal court reports the following unbudgeted fund:

OVC Expansion Project Fund - The primary purpose of this fund is to account for pass-through grant monies to the McCreary County Industrial Authority for the Outdoor Ventures Corporation (OVC). The source of receipts for this fund is a Community Development Block Grant (CDBG).

**D. Budgetary Information**

Annual budgets are adopted 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 and according to the laws of Kentucky as required by the state local finance officer.

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.

**E. McCreary County Elected Officials**

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

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

**MCCREARY COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2023**  
**(Continued)**

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

**F. Deposits and Investments**

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

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

**G. Long-term Obligations**

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

**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) *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 *County Budget Preparation and State Local Finance Officer Policy Manual*. As of June 30, 2023, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**MCCREARY COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2023**  
**(Continued)**

**Note 3. Transfers**

The table below shows the interfund operating transfers for fiscal year 2023.

|                             | General<br>Fund     | Road Fund        | Occupational<br>License Fund | American<br>Rescue Plan<br>Act Fund | Total<br>Transfers In |
|-----------------------------|---------------------|------------------|------------------------------|-------------------------------------|-----------------------|
| General Fund                | \$                  | \$ 20,187        | \$ 1,480,353                 | \$ 1,569,156                        | \$ 3,069,696          |
| Road Fund                   | 850,000             |                  |                              |                                     | 850,000               |
| Jail Fund                   | 160,000             |                  | 740,343                      |                                     | 900,343               |
| LGEA Fund                   |                     | 4,352            |                              |                                     | 4,352                 |
| American Rescue Plan Act Fu | 6                   |                  |                              |                                     | 6                     |
| Total Transfers Out         | <u>\$ 1,010,006</u> | <u>\$ 24,539</u> | <u>\$ 2,220,696</u>          | <u>\$ 1,569,156</u>                 | <u>\$ 4,824,397</u>   |

Reason for transfers:

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

**Note 4. Notes Receivable**

In 1994, McCreary County, in cooperation with Scott County, Tennessee, formed the Rural Enterprise Community known as the Scott-McCreary Area Revitalization Team (SMART) for the purpose of increasing economic development in these two counties. As part of this effort, SMART-approved low interest rate loans were made available to eligible businesses from Enterprise Community Program funds, which were passed through to the county from the U.S. Department of Health and Human Services. In 1998, the county was also awarded Rural Business Enterprise Grants (RBEG) for Smart-Approved low interest rate loans to eligible businesses, which were passed through the U.S. Department of Agriculture. The most recent grant awarded from the USDA was during fiscal year 2023 in the amount of \$9,000.

Once grant funds are repaid from a borrower, the repaid principal and interest will be used to make additional loans as specified in the loan guidelines. The balance of both the SMART and RBEG receivables due as of June 30, 2023 is \$787,981.

**Note 5. Leases**

On September 1, 2019, McCreary County entered into a five-year lease agreement as lessee for the acquisition and use of 6 copiers/office equipment. An initial lease liability was recorded in the amount of \$31,079 during that fiscal year. As of June 30, 2023, the value of the lease liability was \$7,375. McCreary County is required to make monthly principal payments of \$527

| Fiscal Year Ended<br>June 30 | Amount          |
|------------------------------|-----------------|
| 2024                         | \$ 6,321        |
| 2025                         | <u>1,054</u>    |
| Total Minimum Lease Payments | <u>\$ 7,375</u> |

**MCCREARY COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2023**  
**(Continued)**

**Note 5. Leases (Continued)**

2. On January 14, 2020, McCreary County entered into a four-year lease agreement as lessee for the acquisition and use of office equipment. An initial lease liability was recorded in the amount of \$2,631 during that fiscal year. As of June 30, 2023, the value of the lease liability was \$713. McCreary County is required to make monthly principal payments of \$55.

| Fiscal Year Ended<br>June 30 | Amount               |
|------------------------------|----------------------|
| 2024                         | \$ 658               |
| 2025                         | <u>55</u>            |
| Total Minimum Lease Payments | <u><u>\$ 713</u></u> |

**Note 6. Employee Retirement System**

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Public Pension Authority (KPPA). 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.

The county's contribution for FY 2021 was \$513,904, FY 2022 was \$678,081, and FY 2023 was \$798,024.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 6 percent of their salary to be allocated as follows: 5 percent will go to the member's account and 1 percent will go to the KPPA insurance fund.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own accounts. Nonhazardous covered employees contribute 5 percent of their annual creditable compensation. Nonhazardous members also contribute 1 percent 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 KPPA Board of Directors 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 percent 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 26.79 percent.

**MCCREARY COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2023**  
**(Continued)**

**Note 6. Employee Retirement System (Continued)**

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

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

Benefits are covered under KRS 161.714 with exception of COLA and retiree health benefits after July 2003.

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

Once members reach a minimum vesting period of 15 years, they earn ten dollars 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 percent. 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 percent 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 161.714 with exception of COLA and retiree health benefits after July 2003. Tier 3 members are not covered by the same provisions.

C. Cost of Living Adjustments - Tier 1

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of KPPA 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 percent. 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.

**MCCREARY COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2023**  
**(Continued)**

**Note 6. Employee Retirement System (Continued)**

Other Post-Employment Benefits (OPEB) (Continued)

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

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

E. Death Benefit

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

KRS Annual Financial Report and Proportionate Share Audit Report

KRS 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 Pension Authority, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

KRS 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 7. Deferred Compensation**

The McCreary 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.

**MCCREARY COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2023**  
**(Continued)**

**Note 8. Flexible Spending Account**

The McCreary County Fiscal Court, in Fiscal Court established a flexible spending account in 2010 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 \$2,000 each year to pay for qualified medical expenses. Employees may also contribute additional pre-tax funds through payroll deduction. The ending balance at June 30, 2023 was \$0.

**Note 9. Insurance**

For the fiscal year ended June 30, 2023, the McCreary County Fiscal Court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 10. Related Party Transactions**

In 1994, McCreary County, in cooperation with Scott County, Tennessee, formed the Rural Enterprise Community known as the Scott-McCreary Area Revitalization Team (SMART) for the purpose of increasing economic development in these two counties. As a part of this effort, SMART-approved low interest rate loans were made available to eligible businesses from Enterprise Community Program funds, which were passed through to the county from the U.S. Department of Health and Human Services. In 1998, the county was also awarded Rural Business Enterprise Grants (RBEG) for SMART-approved low interest rate loans to eligible businesses, which were passed through the U.S. Department of Agriculture. The program has awarded 46 loans totaling \$1,835,345 over the program's existence. Five of the loans were to related parties as listed below:

| <u>Relationship</u>   | <u>Loans To Related Parties</u> | <u>Disposition Of Loan</u>   |
|---|---------------------------------|--|
| McCreary County Fiscal Court<br>Deputy Judge/Executive and<br>Wife        | \$22,519 loan in July 2003      | Eight payments received in FY 2023<br>Note - interest rate lowered to one percent in FY 2017 |
| Borrower was related to the<br>President of the Loan Board                | \$50,000 loan in November 2006  | Filed bankruptcy January 20, 2010  |
| Former McCreary County Fiscal<br>Court Deputy Judge/Executive and<br>Wife | \$15,000 loan in January 2008   | Three payments received in FY 2023<br>Note - interest rate lowered to one percent in FY 2017 |
| President of the Loan Board   | \$60,268 loan in November 2009  | Paid Off in FY 2017  |
| Mother-In-Law to the former<br>McCreary County Deputy<br>Judge/Executive  | \$75,000 loan in September 2011 | Note - interest rate lowered to one percent in FY 2017                                       |

**MCCREARY COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2023**  
**(Continued)**

**Note 11. Payroll Revolving Account**

The reconciled balance of the payroll revolving account of \$48,082 as of June 30, 2023, was added to the general fund cash balance for financial reporting purposes.

**Note 12. Prior Period Adjustments**

Financial Statement beginning balances were restated as follows:

|  |                     |
|--|---------------------|
| <b>General Fund:</b>                           |                     |
| Ending Cash Balance Prior Year                 | \$ 2,817,808        |
| Add: Prior Year Voided Checks                  | 25                  |
| Less: Unexplained Payroll Balance (Prior Year) | <u>(31,302)</u>     |
| Ending Cash Balance Prior Year (Adjusted)      | <u>\$ 2,786,531</u> |
| <b>Road Fund:</b>                              |                     |
| Ending Cash Balance Prior Year                 | \$ 718,875          |
| Add: Prior Year Voided Checks                  | <u>512</u>          |
| Ending Cash Balance Prior Year (Adjusted)      | <u>\$ 719,387</u>   |
| <b>Total Funds:</b>                            |                     |
| Ending Cash Balance Prior Year                 | \$ 5,543,476        |
| Add: Prior Year Voided Checks                  | 537                 |
| Less: Unexplained Payroll Balance (Prior Year) | <u>(31,302)</u>     |
| Ending Cash Balance Prior Year (Adjusted)      | <u>\$ 5,512,711</u> |

**Note 13. Contingency**

**Litigations**

The county is involved in multiple lawsuits. The lawsuits could negatively impact the county's financial position. Due to the uncertainty of the litigations, a reasonable estimate of the financial impact on the county cannot be made at this time.

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

**For The Year Ended June 30, 2023**

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

**For The Year Ended June 30, 2023**

|  | <b>GENERAL FUND</b> |                     |  |   |
|--|---------------------|---------------------|--|---|
|  | Budgeted Amounts    |                     | Actual<br>Amounts,<br>(Budgetary<br>Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|  | Original            | Final               |  |   |
| <b>RECEIPTS</b>  |                     |                     |  |   |
| Taxes  | \$ 862,000          | \$ 862,000          | \$ 902,672                                 | \$ 40,672   |
| In Lieu Tax Payments   | 360,000             | 360,000             | 436,865                                    | 76,865  |
| Excess Fees  | 16,750              | 16,750              | 14,957                                     | (1,793)   |
| Licenses and Permits   | 161,600             | 161,600             | 170,501                                    | 8,901   |
| Intergovernmental  | 566,325             | 1,476,195           | 1,552,384                                  | 76,189  |
| Charges for Services   | 1,769,000           | 1,769,000           | 2,228,504                                  | 459,504   |
| Miscellaneous  | 42,100              | 107,563             | 188,863                                    | 81,300  |
| Interest   | 500                 | 500                 | 2,291                                      | 1,791   |
| Total Receipts   | <u>3,778,275</u>    | <u>4,753,608</u>    | <u>5,497,037</u>                           | <u>743,429</u>  |
| <b>DISBURSEMENTS</b>   |                     |                     |  |   |
| General Government   | 1,369,983           | 1,870,827           | 1,580,511                                  | 290,316   |
| Protection to Persons and Property   | 2,060,990           | 2,657,035           | 2,477,956                                  | 179,079   |
| General Health and Sanitation  | 247,550             | 292,765             | 218,788                                    | 73,977  |
| Recreation and Culture   | 154,850             | 330,152             | 294,377                                    | 35,775  |
| Airports   | 17,450              | 530,650             | 224,097                                    | 306,553   |
| Debt Service   | 32,100              | 32,100              |  | 32,100  |
| Administration   | 4,472,044           | 2,146,892           | 1,710,148                                  | 436,744   |
| Total Disbursements  | <u>8,354,967</u>    | <u>7,860,421</u>    | <u>6,505,877</u>                           | <u>1,354,544</u>  |
| Excess (Deficiency) of Receipts Over<br>Disbursements Before Other<br>Adjustments to Cash (Uses) | <u>(4,576,692)</u>  | <u>(3,106,813)</u>  | <u>(1,008,840)</u>                         | <u>2,097,973</u>  |
| <b>Other Adjustments to Cash (Uses)</b>  |                     |                     |  |   |
| Transfers From Other Funds   | 2,971,710           | 2,971,710           | 3,069,696                                  | 97,986  |
| Transfers To Other Funds   | (695,018)           | (695,018)           | (1,010,006)                                | (314,988)   |
| Total Other Adjustments to Cash (Uses)   | <u>2,276,692</u>    | <u>2,276,692</u>    | <u>2,059,690</u>                           | <u>(217,002)</u>  |
| Net Change in Fund Balance   | (2,300,000)         | (830,121)           | 1,050,850                                  | 1,880,971   |
| Fund Balance - Beginning (Restated)  | <u>2,300,000</u>    | <u>2,300,000</u>    | <u>2,786,531</u>                           | <u>486,531</u>  |
| Fund Balance - Ending  | <u>\$ 0</u>         | <u>\$ 1,469,879</u> | <u>\$ 3,837,381</u>                        | <u>\$ 2,367,502</u>                                     |

**MCCREARY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2023**  
**(Continued)**

|  | <b>ROAD FUND</b> |                       |  |   |
|--|------------------|-----------------------|--|---|
|  | Budgeted Amounts |                       | Actual<br>Amounts,<br>(Budgetary<br>Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|  | Original         | Final                 |  |   |
| <b>RECEIPTS</b>  |                  |                       |  |   |
| In Lieu Tax Payments   | \$ 300,000       | \$ 300,000            | \$ 256,691                                 | \$ (43,309)   |
| Intergovernmental  | 1,678,731        | 1,978,614             | 1,863,263                                  | (115,351)   |
| Miscellaneous  | 134,500          | 144,968               | 199,599                                    | 54,631  |
| Interest   | 400              | 400                   | 503  | 103   |
| Total Receipts   | <u>2,113,631</u> | <u>2,423,982</u>      | <u>2,320,056</u>                           | <u>(103,926)</u>  |
| <b>DISBURSEMENTS</b>   |                  |                       |  |   |
| Roads  | 1,615,073        | 2,911,141             | 2,614,543                                  | 296,598   |
| Road Facilities  | 228,630          | 417,160               | 308,075                                    | 109,085   |
| Administration   | 669,928          | 1,264,556             | 471,002                                    | 793,554   |
| Total Disbursements  | <u>2,513,631</u> | <u>4,592,857</u>      | <u>3,393,620</u>                           | <u>1,199,237</u>  |
| Excess (Deficiency) of Receipts Over<br>Disbursements Before Other<br>Adjustments to Cash (Uses) | <u>(400,000)</u> | <u>(2,168,875)</u>    | <u>(1,073,564)</u>                         | <u>1,095,311</u>  |
| <b>Other Adjustments to Cash (Uses)</b>  |                  |                       |  |   |
| Transfers From Other Funds   |                  |                       | 850,000                                    | 850,000   |
| Transfers To Other Funds   |                  |                       | (24,539)                                   | (24,539)  |
| Total Other Adjustments to Cash (Uses)   |                  |                       | <u>825,461</u>                             | <u>825,461</u>  |
| Net Change in Fund Balance   | (400,000)        | (2,168,875)           | (248,103)                                  | 1,920,772   |
| Fund Balance - Beginning (Restated)  | 400,000          | 718,875               | 719,387                                    | 512   |
| Fund Balance - Ending  | <u>\$ 0</u>      | <u>\$ (1,450,000)</u> | <u>\$ 471,284</u>                          | <u>\$ 1,921,284</u>                                     |

**MCCREARY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2023**  
**(Continued)**

|  | <b>JAIL FUND</b>   |                    |  |   |
|--|--------------------|--------------------|--|---|
|  | Budgeted Amounts   |                    | Actual<br>Amounts,<br>(Budgetary<br>Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|  | Original           | Final              |  |   |
| <b>RECEIPTS</b>  |                    |                    |  |   |
| Intergovernmental  | \$ 91,000.00       | \$ 91,000.00       | \$ 93,651                                  | \$ 2,651.00   |
| Miscellaneous  | 28,500             | 28,500             | 47,688                                     | 19,188  |
| Interest   | 25                 | 25                 | 116  | 91  |
| Total Receipts   | <u>119,525</u>     | <u>119,525</u>     | <u>141,455</u>                             | <u>21,930</u>   |
| <b>DISBURSEMENTS</b>   |                    |                    |  |   |
| Protection to Persons and Property   | 1,320,863          | 1,331,113          | 1,024,157                                  | 306,956   |
| Administration   | 77,555             | 67,305             | 47,608                                     | 19,697  |
| Total Disbursements  | <u>1,398,418</u>   | <u>1,398,418</u>   | <u>1,071,765</u>                           | <u>326,653</u>  |
| Excess (Deficiency) of Receipts Over<br>Disbursements Before Other<br>Adjustments to Cash (Uses) | <u>(1,278,893)</u> | <u>(1,278,893)</u> | <u>(930,310)</u>                           | <u>348,583</u>  |
| <b>Other Adjustments to Cash (Uses)</b>  |                    |                    |  |   |
| Transfers From Other Funds   | 1,278,393          | 1,278,393          | 900,343                                    | (378,050)   |
| Total Other Adjustments to Cash (Uses)   | <u>1,278,393</u>   | <u>1,278,393</u>   | <u>900,343</u>                             | <u>(378,050)</u>  |
| Net Change in Fund Balance   | (500)              | (500)              | (29,967)                                   | (29,467)  |
| Fund Balance - Beginning   | <u>500</u>         | <u>500</u>         | <u>195,719</u>                             | <u>195,219</u>  |
| Fund Balance - Ending  | <u>\$ 0</u>        | <u>\$ 0</u>        | <u>\$ 165,752</u>                          | <u>\$ 165,752</u>                                       |

**MCCREARY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2023**  
**(Continued)**

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND**

|  | <u>Budgeted Amounts</u> |                 | Actual<br>Amounts,<br>(Budgetary<br>Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|-------------------------|-----------------|--|---|
|  | <u>Original</u>         | <u>Final</u>    |  |   |
| <b>RECEIPTS</b>  |                         |                 |  |   |
| Intergovernmental  | \$ 6,959                | \$ 6,959        | \$ 4,578                                   | \$ (2,381)  |
| Interest   | 75                      | 75              | 34   | (41)  |
| Total Receipts   | <u>7,034</u>            | <u>7,034</u>    | <u>4,612</u>                               | <u>(2,422)</u>  |
| <b>DISBURSEMENTS</b>   |                         |                 |  |   |
| Roads  | 44,278                  | 44,278          | 100  | 44,178  |
| Total Disbursements  | <u>44,278</u>           | <u>44,278</u>   | <u>100</u>                                 | <u>44,178</u>   |
| Excess (Deficiency) of Receipts Over<br>Disbursements Before Other<br>Adjustments to Cash (Uses) | <u>(37,244)</u>         | <u>(37,244)</u> | <u>4,512</u>                               | <u>41,756</u>   |
| <b>Other Adjustments to Cash (Uses)</b>  |                         |                 |  |   |
| Transfers From Other Funds   |                         |                 | 4,352                                      | 4,352   |
| Total Other Adjustments to Cash (Uses)   |                         |                 | <u>4,352</u>                               | <u>4,352</u>  |
| Net Change in Fund Balance   | (37,244)                | (37,244)        | 8,864                                      | 46,108  |
| Fund Balance - Beginning   | <u>37,244</u>           | <u>37,244</u>   | <u>39,623</u>                              | <u>2,379</u>  |
| Fund Balance - Ending  | <u>\$ 0</u>             | <u>\$ 0</u>     | <u>\$ 48,487</u>                           | <u>\$ 48,487</u>  |

**MCCREARY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2023**  
**(Continued)**

|  | <b>FEDERAL GRANT FUND</b> |           |                                  |  |
|--|---------------------------|-----------|----------------------------------|--|
|  | Budgeted Amounts          |           | Actual                           | Variance with                          |
|  | Original                  | Final     | Amounts,<br>(Budgetary<br>Basis) | Final Budget<br>Positive<br>(Negative) |
| <b>RECEIPTS</b>  |                           |           |                                  |  |
| Intergovernmental  | \$ 50,000                 | \$ 50,000 | \$ 10,000                        | \$ (40,000)                            |
| Total Receipts   | 50,000                    | 50,000    | 10,000                           | (40,000)                               |
| <b>DISBURSEMENTS</b>   |                           |           |                                  |  |
| Administration   |                           |           |                                  |  |
| Total Disbursements  | 50,000                    | 50,000    | 10,000                           | 40,000                                 |
| Excess (Deficiency) of Receipts Over<br>Disbursements Before Other<br>Adjustments to Cash (Uses) |                           |           |                                  |  |
| Net Change in Fund Balance   |                           |           |                                  |  |
| Fund Balance - Beginning   |                           |           |                                  |  |
| Fund Balance - Ending  | \$ 0                      | \$ 0      | \$ 0                             | \$ 0                                   |

**MCCREARY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2023**  
**(Continued)**

| <b>AMBULANCE EQUIPMENT FUND</b>  |                  |                 |  |   |
|--|------------------|-----------------|--|---|
|  | Budgeted Amounts |                 | Actual<br>Amounts,<br>(Budgetary<br>Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|  | Original         | Final           |  |   |
| <b>RECEIPTS</b>  |                  |                 |  |   |
| Miscellaneous  | \$ 60,000        | \$ 60,000       | \$ 60,000                                  | \$  |
| Interest   | 10               | 10              | 32   | 22  |
| Total Receipts   | <u>60,010</u>    | <u>60,010</u>   | <u>60,032</u>                              | <u>22</u>   |
| <b>DISBURSEMENTS</b>   |                  |                 |  |   |
| Protection to Persons and Property   | 144,260          | 144,260         |  | (144,260)   |
| Total Disbursements  | <u>144,260</u>   | <u>144,260</u>  |  | <u>(144,260)</u>  |
| Excess (Deficiency) of Receipts Over<br>Disbursements Before Other<br>Adjustments to Cash (Uses) | <u>(84,250)</u>  | <u>(84,250)</u> | <u>60,032</u>                              | <u>(144,238)</u>  |
| Net Change in Fund Balance   | (84,250)         | (84,250)        | 60,032                                     | 144,282   |
| Fund Balance - Beginning   | <u>84,250</u>    | <u>84,250</u>   | <u>5,209</u>                               | <u>(79,041)</u>   |
| Fund Balance - Ending  | <u>\$ 0</u>      | <u>\$ 0</u>     | <u>\$ 65,241</u>                           | <u>\$ 65,241</u>  |

**MCCREARY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2023**  
**(Continued)**

|  | <b>OCCUPATIONAL TAX FUND</b> |                    |  |   |
|--|------------------------------|--------------------|--|---|
|  | <u>Budgeted Amounts</u>      |                    | Actual<br>Amounts,<br>(Budgetary<br>Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|  | <u>Original</u>              | <u>Final</u>       |  |   |
| <b>RECEIPTS</b>  |                              |                    |  |   |
| Taxes  | \$ 1,750,000                 | \$ 1,750,000       | \$ 2,253,536                               | \$ 503,536  |
| Intergovernmental  |                              |                    |  |   |
| Miscellaneous  |                              |                    |  |   |
| Interest   | 125                          | 125                | 171  | 46  |
| Total Receipts   | <u>1,750,125</u>             | <u>1,750,125</u>   | <u>2,253,707</u>                           | <u>503,582</u>  |
| Excess (Deficiency) of Receipts Over<br>Disbursements Before Other<br>Adjustments to Cash (Uses) | <u>1,750,125</u>             | <u>1,750,125</u>   | <u>2,253,707</u>                           | <u>503,582</u>  |
| <b>Other Adjustments to Cash (Uses)</b>  |                              |                    |  |   |
| Transfers To Other Funds   | <u>(1,750,125)</u>           | <u>(1,750,125)</u> | <u>(2,220,696)</u>                         | <u>(470,571)</u>  |
| Total Other Adjustments to Cash (Uses)   | <u>(1,750,125)</u>           | <u>(1,750,125)</u> | <u>(2,220,696)</u>                         | <u>(470,571)</u>  |
| Net Change in Fund Balance   |                              |                    | 33,011                                     | 33,011  |
| Fund Balance - Beginning   |                              |                    | <u>43,005</u>                              | <u>43,005</u>   |
| Fund Balance - Ending  | <u>\$ 0</u>                  | <u>\$ 0</u>        | <u>\$ 76,016</u>                           | <u>\$ 76,016</u>  |

**MCCREARY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2023**  
**(Continued)**

| <b>OPIOID SETTLEMENT FUND</b>  |                  |            |  |   |
|--|------------------|------------|--|---|
|  | Budgeted Amounts |            | Actual<br>Amounts,<br>(Budgetary<br>Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|  | Original         | Final      |  |   |
| <b>RECEIPTS</b>  |                  |            |  |   |
| Miscellaneous  | \$ 0             | \$ 139,141 | \$ 139,141                                 | \$ 0  |
| Interest   |                  |            | 60   | 60  |
| Total Receipts   |                  | 139,141    | 139,201                                    | 60  |
| <b>DISBURSEMENTS</b>   |                  |            |  |   |
| Social Services  |                  | 139,141    |  | 139,141   |
| Total Disbursements  |                  | 139,141    |  | 139,141   |
| Excess (Deficiency) of Receipts Over<br>Disbursements Before Other<br>Adjustments to Cash (Uses) |                  |            | 139,201                                    | 139,201   |
| <b>Other Adjustments to Cash (Uses)</b>  |                  |            |  |   |
| Transfers To Other Funds   |                  |            |  |   |
| Total Other Adjustments to Cash (Uses)   |                  |            |  |   |
| Net Change in Fund Balance   |                  |            | 139,201                                    | 139,201   |
| Fund Balance - Beginning   |                  |            |  |   |
| Fund Balance - Ending  | \$ 0             | \$ 0       | \$ 139,201                                 | \$ 139,201  |

**MCCREARY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2023**  
**(Continued)**

|  | <b>GRANT FUND</b>              |                    |                                  |  |
|--|--------------------------------|--------------------|----------------------------------|--|
|  | <u>Budgeted</u> <u>Amounts</u> |                    | Actual                           | Variance with                          |
|  | <u>Original</u>                | <u>Final</u>       | Amounts,<br>(Budgetary<br>Basis) | Final Budget<br>Positive<br>(Negative) |
| <b>RECEIPTS</b>  |                                |                    |                                  |  |
| Intergovernmental  | \$ 10,000                      | \$ 10,000          | \$ 35,336                        | \$ 25,336                              |
| Interest   |                                |                    | 15                               | 15                                     |
| Total Receipts   | <u>10,000</u>                  | <u>10,000</u>      | <u>35,351</u>                    | <u>25,351</u>                          |
| <b>DISBURSEMENTS</b>   |                                |                    |                                  |  |
| Protection to Persons and Property   | <u>46,750</u>                  | <u>61,750</u>      | <u>11,356</u>                    | <u>50,394</u>                          |
| Total Disbursements  | <u>46,750</u>                  | <u>61,750</u>      | <u>11,356</u>                    | <u>50,394</u>                          |
| Excess (Deficiency) of Receipts Over<br>Disbursements Before Other<br>Adjustments to Cash (Uses) | <u>(36,750)</u>                | <u>(51,750)</u>    | <u>23,995</u>                    | <u>75,745</u>                          |
| <b>Other Adjustments to Cash (Uses)</b>  |                                |                    |                                  |  |
| Net Change in Fund Balance   | (36,750)                       | (51,750)           | 23,995                           | 75,745                                 |
| Fund Balance - Beginning   | <u>36,750</u>                  | <u>36,750</u>      | <u>1,085</u>                     | <u>(35,665)</u>                        |
| Fund Balance - Ending  | <u>\$ 0</u>                    | <u>\$ (15,000)</u> | <u>\$ 25,080</u>                 | <u>\$ 40,080</u>                       |

**MCCREARY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2023**  
**(Continued)**

|  | <b>REVOLVING LOAN FUND</b> |                  |  |   |
|--|----------------------------|------------------|--|---|
|  | Budgeted Amounts           |                  | Actual<br>Amounts,<br>(Budgetary<br>Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|  | Original                   | Final            |  |   |
| <b>RECEIPTS</b>  |                            |                  |  |   |
| Miscellaneous  | \$ 50,000                  | \$ 50,000        | \$ 71,392                                  | \$ 21,392   |
| Interest   | 50                         | 50               | 153  | 103   |
| Total Receipts   | <u>50,050</u>              | <u>50,050</u>    | <u>71,545</u>                              | <u>21,495</u>   |
| <b>DISBURSEMENTS</b>   |                            |                  |  |   |
| Administration   | 167,550                    | 167,550          | 9,042                                      | 158,508   |
| Total Disbursements  | <u>167,550</u>             | <u>167,550</u>   | <u>9,042</u>                               | <u>158,508</u>  |
| Excess (Deficiency) of Receipts Over<br>Disbursements Before Other<br>Adjustments to Cash (Uses) | <u>(117,500)</u>           | <u>(117,500)</u> | <u>62,503</u>                              | <u>180,003</u>  |
| Net Change in Fund Balance   | (117,500)                  | (117,500)        | 62,503                                     | 180,003   |
| Fund Balance - Beginning   | <u>117,500</u>             | <u>117,500</u>   | <u>149,075</u>                             | <u>31,575</u>   |
| Fund Balance - Ending  | <u>\$ 0</u>                | <u>\$ 0</u>      | <u>\$ 211,578</u>                          | <u>\$ 211,578</u>                                       |

**MCCREARY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2023**  
**(Continued)**

| <b>AMERICAN RESCUE PLAN ACT FUND</b>   |                  |                |  |   |
|--|------------------|----------------|--|---|
|  | Budgeted Amounts |                | Actual<br>Amounts,<br>(Budgetary<br>Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|  | Original         | Final          |  |   |
| <b>RECEIPTS</b>  |                  |                |  |   |
| Interest   | \$ 0             | \$ 0           | \$ 953                                     | \$ 953  |
| Total Receipts   |                  |                | 953  | 953   |
| <b>DISBURSEMENTS</b>   |                  |                |  |   |
| Social Services  |                  | 4,879          | 4,879                                      |   |
| Total Disbursements  |                  | 4,879          | 4,879                                      |   |
| Excess (Deficiency) of Receipts Over<br>Disbursements Before Other<br>Adjustments to Cash (Uses) |                  | (4,879)        | (3,926)                                    | 953   |
| <b>Other Adjustments to Cash (Uses)</b>  |                  |                |  |   |
| Transfers From Other Funds   |                  |                | 6  | 6   |
| Transfers To Other Funds   | (1,804,960.00)   | (1,804,960.00) | (1,569,156)                                | 235,804   |
| Total Other Adjustments to Cash (Uses)   | (1,804,960)      | (1,804,960)    | (1,569,150)                                | 235,810   |
| Net Change in Fund Balance   | (1,804,960)      | (1,809,839)    | (1,573,076)                                | 236,763   |
| Fund Balance - Beginning   | 1,804,960        | 1,804,960      | 1,573,076                                  | (231,884)   |
| Fund Balance - Ending  | \$ 0             | \$ (4,879)     | \$ 0                                       | \$ 4,879  |

**MCCREARY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2023**  
**(Continued)**

**COUNTY CLERK PERMANENT STORAGE FEE FUND**

|  | Budgeted Amounts |               | Actual<br>Amounts,<br>(Budgetary<br>Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------|---------------|--|---|
|  | Original         | Final         |  |   |
| <b>RECEIPTS</b>  |                  |               |  |   |
| Miscellaneous  | \$ 30,000        | \$ 30,000     | \$ 20,840                                  | \$ (9,160)  |
| Interest   |                  |               | 10   | 10  |
| Total Receipts   | <u>30,000</u>    | <u>30,000</u> | <u>20,850</u>                              | <u>(9,150)</u>  |
| <b>DISBURSEMENTS</b>   |                  |               |  |   |
| General Government   | <u>30,000</u>    | <u>30,000</u> | <u>1,223</u>                               | <u>28,777</u>   |
| Total Disbursements  | <u>30,000</u>    | <u>30,000</u> | <u>1,223</u>                               | <u>28,777</u>   |
| Excess (Deficiency) of Receipts Over<br>Disbursements Before Other<br>Adjustments to Cash (Uses) |                  |               | <u>19,627</u>                              | <u>19,627</u>   |
| Net Change in Fund Balance   |                  |               | 19,627                                     | 19,627  |
| Fund Balance - Beginning   |                  |               |  |   |
| Fund Balance - Ending  | <u>\$ 0</u>      | <u>\$ 0</u>   | <u>\$ 19,627</u>                           | <u>\$ 19,627</u>  |

**MCCREARY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2023**  
**(Continued)**

| <b>OVC PROJECT - AML FUND</b>  |                  |              |                                  |  |
|--|------------------|--------------|----------------------------------|--|
|  | Budgeted Amounts |              | Actual                           | Variance with                          |
|  | Original         | Final        | Amounts,<br>(Budgetary<br>Basis) | Final Budget<br>Positive<br>(Negative) |
| <b>RECEIPTS</b>  |                  |              |                                  |  |
| Intergovernmental  | \$               | \$ 3,500,000 | \$ 297,330                       | \$ (3,202,670)                         |
| Total Receipts   |                  | 3,500,000    | 297,330                          | (3,202,670)                            |
| <b>DISBURSEMENTS</b>   |                  |              |                                  |  |
| General Government   |                  | 3,500,000    | 93,350                           | 3,406,650                              |
| Total Disbursements  |                  | 3,500,000    | 93,350                           | 3,406,650                              |
| Excess (Deficiency) of Receipts Over<br>Disbursements Before Other<br>Adjustments to Cash (Uses) |                  |              | 203,980                          | 203,980                                |
| Net Change in Fund Balance   |                  |              | 203,980                          | 203,980                                |
| Fund Balance - Beginning   |                  |              |                                  |  |
| Fund Balance - Ending  | \$               | 0            | \$ 203,980                       | \$ 203,980                             |

**MCCREARY COUNTY  
NOTES TO REGULATORY SUPPLEMENTARY  
INFORMATION - BUDGETARY COMPARISON SCHEDULES**

**June 30, 2023**

**Note 1. Budgetary Information**

Annual budgets are adopted 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 and according to the laws of Kentucky as required by the state local finance officer.

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**

Reconciliation of the General Fund

|   |                            |
|---|----------------------------|
| Other Adjustments to Cash (Uses) - Budgetary Basis        | \$ 2,059,690               |
| To adjust for Payroll Revolving Account                   | <u>48,082</u>              |
| Total Other Adjustments to Cash (Uses) - Regulatory Basis | <u><u>\$ 2,107,772</u></u> |
| <br>  |                            |
| Fund Balance - Ending - Budgetary Basis                   | \$ 3,837,381               |
| To adjust for Payroll Revolving Account                   | <u>48,082</u>              |
| Total Fund Balance - Ending - Regulatory Basis            | <u><u>\$ 3,885,463</u></u> |

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**MCCREARY COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For The Year Ended June 30, 2023**

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**MCCREARY COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For The Year Ended June 30, 2023**

| Federal Grantor/Pass-Through Grantor/<br>Program or Cluster Title                            | Federal Assistance<br>Listing Number | Pass-Through Entity's<br>Identifying Number | Provided to<br>Subrecipient | Total<br>Federal<br>Expenditures |
|--|--------------------------------------|---|-----------------------------|----------------------------------|
| <b><u>U.S. Department of Housing and Urban Development</u></b>                               |                                      |   |                             |                                  |
| <i>Passed-Through Kentucky Department for Local Government:</i>                              |                                      |   |                             |                                  |
| Community Development Block Grants/State's Program<br>and Non-Entitlement Grants in Hawaii:  |                                      |   |                             |                                  |
| Outdoor Venture Corporation Project  | 14.228                               | 18-064                                      | \$ -                        | \$ 172,546                       |
| <b>Total Appalachian Regional Commission</b>   |                                      |   | -                           | 172,546                          |
| <b><u>U. S. Department of Interior</u></b>   |                                      |   |                             |                                  |
| <i>Pass-Through Kentucky Energy and Environmental Cabinet:</i>                               |                                      |   |                             |                                  |
| Abandoned Mine Land Reclamation - Outdoor<br>Venture Corporation Expansion AML Pilot Project | 15.252                               |   | \$ -                        | \$ 93,350                        |
| <b>Total U.S. Department of Interior</b>   |                                      |   | -                           | 93,350                           |
| <b><u>U. S. Department of Homeland Security</u></b>  |                                      |   |                             |                                  |
| <i>Pass-Through Kentucky Department of Emergency Management:</i>                             |                                      |   |                             |                                  |
| Emergency Management Performance Grants  | 97.042                               | 21000000605                                 | \$ -                        | \$ 41,584                        |
| <b>Total U.S. Department of Justice</b>  |                                      |   | -                           | 41,584                           |
| <b><u>U. S. Department of the Treasury</u></b>   |                                      |   |                             |                                  |
| <i>Direct Program</i>  |                                      |   |                             |                                  |
| Coronavirus State and Local Fiscal Recovery Funds  | 21.027                               |   | \$ -                        | \$ 1,574,035                     |
| Local Assistance and Tribal Consistency Fund   | 21.032                               |   |                             | 709,870                          |
| <b>Total U.S. Department of the Treasury</b>   |                                      |   | -                           | 2,283,905                        |
| Total Expenditures of Federal Awards   |                                      |   | \$ 0                        | \$ 2,591,385                     |

The accompanying notes are an integral part of this schedule

**MCCREARY COUNTY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**June 30, 2023**

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of McCreary County, Kentucky under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of McCreary County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of McCreary County, Kentucky.

**Note 2. Summary of Significant Accounting Policies**

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

**Note 3. Indirect Cost Rate**

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

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

**For The Year Ended June 30, 2023**

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

**For The Year Ended June 30, 2023**

The fiscal court reports the following Schedule of Capital Assets:

|                            | Beginning<br>Balance | Additions      | Deletions | Ending<br>Balance |
|----------------------------|----------------------|----------------|-----------|-------------------|
| Land and Land Improvements | \$ 2,096,783         | \$             | \$        | \$ 2,096,783      |
| Buildings                  | 9,056,068            | 173,500        |           | 9,229,568         |
| Vehicles and Equipment     | 1,162,348            | 135,999        |           | 1,298,347         |
| Other Equipment            | 1,722,655            | 469,222        |           | 2,191,877         |
| Infrastructure             | 9,054,473            | 118,392        |           | 9,172,865         |
| <br>Total Capital Assets   | <br>\$ 23,092,327    | <br>\$ 897,113 | <br>\$ 0  | <br>\$ 23,989,440 |

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

**June 30, 2023**

**Note 1. Capital Assets**

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

|                        | <u>Capitalization<br/>Threshold</u> | <u>Useful Life<br/>(Years)</u> |
|------------------------|-------------------------------------|--------------------------------|
| Land Improvements      | \$ 5,000                            | 10-60                          |
| Buildings              | \$ 5,000                            | 10-75                          |
| Vehicles and Equipment | \$ 5,000                            | 3-25                           |
| Other Equipment        | \$ 5,000                            | 3-25                           |
| Infrastructure         | \$ 5,000                            | 10-50                          |

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

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The Honorable Jimmie W. Greene II, McCreary County Judge/Executive  
Members of the McCreary County Fiscal Court

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

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 McCreary County Fiscal Court for the fiscal year ended June 30, 2023, and the related notes to the financial statement which collectively comprise the McCreary County Fiscal Court's financial statement and have issued our report thereon dated February 21, 2025.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the McCreary 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 McCreary County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the McCreary 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 were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2023-002 and 2023-003 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)

**Internal Control Over Financial Reporting (Continued)**

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2023-001 and 2023-004 to be significant deficiencies.

**Compliance And Other Matters**

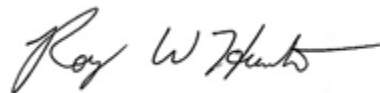
As part of obtaining reasonable assurance about whether the McCreary County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct 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 two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2023-002 and 2023-004.

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



Roy W. Hunter, CPA, PLLC  
Lexington, Kentucky

February 21, 2025

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

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The Honorable Jimmie W. Greene II, McCreary County Judge/Executive  
Members of the McCreary County Fiscal Court

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

Independent Auditor's Report

**Report on Compliance for Each Major Federal Program**

*Opinion on Each Major Federal Program*

We have audited the McCreary County Fiscal Court's compliance with the types of compliance requirements identified as subject to audit in the *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the McCreary County Fiscal Court's major federal programs for the year ended June 30, 2023. The McCreary County Fiscal Court's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, McCreary County Fiscal Court complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

*Basis for Opinion on Each Major Federal Program*

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

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

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

**Responsibilities of Management for Compliance**

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

**Auditor's Responsibilities for the Audit of Compliance**

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

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

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

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

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

**Report on Internal Control over Compliance**

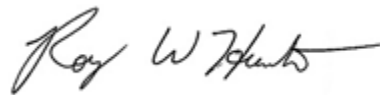
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Respectfully submitted,



Roy W. Hunter, CPA, PLLC  
Lexington, Kentucky

February 21, 2025

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**MCCREARY COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For The Year Ended June 30, 2023**

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**MCCREARY COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For The Year Ended June 30, 2023**

**Section I: Summary of Auditor’s Results**

***Financial Statement***

Type of report auditor issued: Adverse on GAAP and Unmodified on Regulatory Basis

Internal control over financial reporting:

|  |   |                             |
|--|---|-----------------------------|
| Are any material weaknesses identified?                        | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| Are any significant deficiencies identified?                   | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| Are any noncompliances material to financial statements noted? | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |

***Federal Awards***

Internal control over major programs:

|  |                              |   |
|--|------------------------------|---|
| Are any material weaknesses identified?  | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/>               |
| Are any significant deficiencies identified?   | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> None Reported |
| Type of auditor’s report issued on compliance for major federal programs: Unmodified                   |                              |   |
| Are any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/>               |

Identification of major programs:

| <u>Federal Assistance Listing Number</u> | <u>Name of Federal Program or Cluster</u>         |
|--|---|
| 21.027                                   | Coronavirus State and Local Fiscal Recovery Funds |

|  |                              |  |
|--|------------------------------|--|
| Dollar threshold used to distinguish between Type A and Type B programs: | \$750,000                    |  |
| Auditee qualified as a low-risk auditee?                                 | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |

**Section II: Financial Statement Findings**

2023-001    The Payroll Revolving Account Was Not Properly Reconciled

---

This is a repeat finding and was included in the prior year audit report as finding 2022-001. The payroll revolving account did not reconcile to zero as of June 30, 2023, and the remaining balance could not be readily explained. According to the information available to auditors, the June 30, 2023 balance was \$139,116, with \$557 of outstanding checks, \$102,921 of outstanding liabilities and \$12,444 outstanding receivables, leaving an unexplained balance of \$48,082 as of June 30, 2023. In addition, the account was overdrawn fourteen (14) times during the fiscal court. The bank did not charge any overdraft fees

**MCCREARY COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2023**  
**(Continued)**

**Section II: Financial Statement Findings (Continued)**

2023-001 The Payroll Revolving Account Was Not Properly Reconciled (Continued)

---

According to the finance officer, a new payroll account was opened in July 2018 and he thought this corrected the prior year issue since he transfers payroll funds according to the summary produced by the computer software.

The unreconciled payroll account could cause the fiscal court to have insufficient funds to meet payroll requirements, cause the fiscal court's liabilities to not be properly paid, or cause liabilities to not be paid timely.

Per KRS 68.210, the state local finance officer has the authority to require a uniform system of accounts. The County Budget Preparation and State Local Finance Officer Policy Manual includes monthly bank reconciliations as a minimum requirement for all county officials. Since the payroll and employee benefits accounts are revolving accounts, only the funds necessary to pay employees and government agencies should be transferred from other county funds. Therefore, each month the account should reconcile to a zero balance.

Good internal controls dictate that revolving accounts be reconciled to a zero balance. In addition, monthly bank reconciliations should be prepared and reviewed by someone independent of the reconciliation process.

We recommend the fiscal court properly reconcile the payroll revolving account to a zero balance monthly. Additionally, we recommend the bank reconciliations be reviewed by an employee independent of the reconciliation process. These reviews should be dated and initialed by both the preparer and the reviewer to document evidence of oversight, accuracy and completeness.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: Our payroll account has excessive funds which can be caused by employee's voluntary withholding of FSA funds which were not expended, cancellation of insurance policies, and other payroll deductions. We are now utilizing a balancing system where each payroll deduction is balanced individually.*

*The overdrawn status of the payroll account is caused by the policy of the bank we utilize. Their policy is to make funds available one day after deposit which falls one day before our official payroll date. We are not charged an overdraft fee because it is not due to any action or inaction of the Fiscal Court. We did, however, approach the fiscal court for approval to deposit payroll funds one day early so the funds coincide with the availability of incoming deposits. This should correct any overdraft status.*

**MCCREARY COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2023  
(Continued)**

**Section II: Financial Statement Findings (Continued)**

2023-002 The Fiscal Court Did Not Have Proper Purchase And Procurement Procedures

---

This is a repeat finding and was included in the prior year audit report as finding 2022-002. The fiscal court did not have proper purchase and procurement procedures as noted by the following deficiencies:

Of the 72 invoices tested:

- Twenty-three invoices tested did not have purchase orders. The total of the invoices was \$1,297,740.
- Purchase orders that were completed are not consistent pertaining to the documentation of the issuance and authorization of the purchase order. Some purchase orders were documented as only being issued by the finance officer. This process should document who issued the purchase order and who approved the purchase order.

The deficiencies are a direct result of the lack of adequate segregation of duties, improper accounting practices, and poor internal controls without sufficient management oversight.

These deficiencies could have resulted in significant overpayments, misappropriations, inaccurate financial reporting, or penalties being assessed.

Section 9.1 of the McCreary County Administrative Code states, "All purchases must be accompanied by a purchase order as issued by the County Finance Officer, which shall be issued prior to the time of purchase or authorization of purchase by an employee or department and will be paid once an original invoice is in receipt of County Judge's Office."

We recommend the fiscal court take the steps necessary to ensure they are in compliance with the state local finance officer and the county administrative code. recommend all disbursements are paid within 30 working days of receipt and all disbursements have supporting receipts. We recommend ensuring sales tax is not part of a claim before being submitted for approval to the fiscal court. We further recommend that all purchase orders are completed properly regarding the issuance and authorization of the purchase order.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's The twenty-three invoices without purchase orders were found to be with our two largest vendors: Knox County Detention Center (prisoner housing and medical costs) and KACO Benefits (employee health insurance). Both vendors issue what is known as "reoccurring invoices" meaning they are paid each and every monthly. Previously, reoccurring invoices did not need purchase orders, but the standard changed before we updated our process. We now issue purchase orders for everything, including utilities and all reoccurring invoices. I want to clarify that the finding is not due to misappropriation of funds, but a procedural issue. All the stated funds were spent with these two vendors and not misappropriated. These records are available to the public any time they wish to view.*

*Purchase orders are currently signed by the county finance officer, signed by the requesting employee, and then approved by the county treasurer and Judge-Executive. A total of 4 signatures are now required for every purchase order.*

**MCCREARY COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2023**  
**(Continued)**

**Section II: Financial Statement Findings (Continued)**

2023-003 The Fiscal Court Did Not Segregate Duties Over Accounting Functions

---

This is a repeat finding and was included in the prior year audit report as finding 2022-003. A lack of segregation of duties exists over accounting functions. The county treasurer prepares and deposits receipts, posts to the ledgers, prepares financial reports, and prepares the monthly bank reconciliations. Items returned from the bank are handled by the county treasurer. The finance officer picks up mail from the post office then distributes to the proper department. The finance officer prepares a list of bills for the fiscal court's approval, prepares all checks, and makes adjustments to the appropriations ledger. The finance officer submits the financial statement electronically to the Department for Local Government. The finance officer maintains timesheets, prepares payroll, posts payroll to the ledgers and transfers funds from the appropriate accounts to the revolving payroll account. In addition, the finance officer is responsible for employee benefits payments (health insurance, life insurance and payments to the employee benefit bank account).

According to the county judge/executive, a limited budget places restrictions on the number of employees the fiscal court can hire.

The lack of oversight could have resulted in undetected misappropriation of assets and inaccurate financial reporting to external agencies such as the Department for Local Government.

A segregation of duties over various accounting functions, collecting receipts, preparing bank deposits, and preparing reports and reconciliations, or the implementation of compensating controls, when needed because the number of staff is limited, is essential for providing protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the fiscal court segregate the duties involving collecting and depositing receipts and preparation of reports and reconciliations. If this is not feasible due to limited staff, strong oversight over these areas could occur and involve an employee that is not currently performing any of those functions. For example, the county judge/executive could provide this oversight and document his oversight by initiating the source documents.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: Whereas a limited budget restricts the hiring and funding for anything more than the minimal number of employees, the Fiscal Court has compensated for by doubling the duties of existing personnel and we segregate duties where possible. The mail is collected by someone other than the finance officer or treasurer and brought directly to the executive secretary who opens, dates, initials, and distributes. The Finance Officer, Treasurer, and County Judge all review and initial revenue and appropriations before distribution.*

**MCCREARY COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2023**  
**(Continued)**

**Section II: Financial Statement Findings (Continued)**

2023-004      The McCreary County Fiscal Court's Internal Controls Over Payroll Were Not Operating Effectively

The McCreary County Fiscal Court's internal controls over payroll processes were not operating effectively as noted by the following deficiencies:

- 234 Emergency Medical Services time sheets were tested. Eleven total issues were noted. They were as follows:
  - Five timesheets calculated overtime hours incorrectly. Overtime hours were overstated.
  - Two timesheets did not show detailed hours for each day worked.
  - Two timesheets were not signed by the employees.
  - Two timesheets noted more than 24 hours on one day.
- The County Judge Executive was underpaid the statutory maximum salary set by the Department of Local Government.

The above deficiencies occurred as a result of internal controls over payroll not operating effectively.

Due to the errors noted on the timesheets, payments for payroll were not properly supported. Failure to maintain accurate timesheets resulted in the county not being in compliance with KRS 337.320.

The County Judge Executive's statutory maximum salary for calendar year 2022 should have been \$98,255 plus one training incentive payment of 4,679. The judge's actual salary for 2022 was \$95,254 resulting in an underpayment of \$7,680.

KRS 337.320 (1) requires employers to maintain a record of "[t]he hours worked each day by each employee."

KRS 64.535 states "The county judge/executive, clerk, jailer who operates a full-service jail, and sheriff shall each receive a monthly salary of one-twelfth (1/12) of the amount indicated by the salary schedule in KRS 64.5275."

We recommend that the hours on timesheets be recalculated to ensure the correct hours are paid. Also, timesheets should not be processed if the employee and the supervisor do not sign them.

We recommend the Fiscal Court pay the County Judge Executive \$7,680 less withholdings. We also recommend in the future, the Fiscal Court review maximum salary authorizations upon receipt and determine if correct salaries are being paid.

We also recommend that the finding be referred to the McCreary County Attorney for their review.

**MCCREARY COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2023  
(Continued)**

**Section II: Financial Statement Findings (Continued)**

2023-004            The McCreary County Fiscal Court's Internal Controls Over Payroll Were Not Operating Effectively (Continued)

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: The errors found in time sheets represent less than one percent of those time sheets tested and are attributable to human error. We have since corrected the issue with the implementation of an electronic timekeeping system and have already transitioned to a payroll system where hours are calculated electronically. Approval by both the employee and supervisor is made electronically as well. Further, the underpayment in payroll only affected the County Judge Executive and was also attributable to human error by failing to consider those pay periods which occurred before the maximum salary was set. The situation has been corrected and the underpayment in salary has been paid to the elected official.*

**Section III: Federal Award Findings And Questioned Costs**

**None noted.**

**MCCREARY COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2023**  
**(Continued)**

**Section IV: Summary Schedule of Prior Audit Findings**

OFFICE OF THE JUDGE/EXECUTIVE  
**McCREARY COUNTY**  
 1 NORTH MAIN STREET • P.O. BOX 579  
 WHITLEY CITY, KENTUCKY 42653  
 (606) 376-2413



JIMMIE W. GREENE II  
 COUNTY JUDGE EXECUTIVE

FAX: (606) 376-9499  
 TDD: 1-800-247-2510

| Finding Number | Prior Year Finding Title  | Status              | Corrective Action  |
|----------------|---|---------------------|--|
| 2022-001       | The Payroll Revolving Account Was Not Properly Reconciled                               | Unresolved          | See corrective action for current year finding 2023-001. |
| 2022-002       | The Fiscal Court Did Not Have Proper Purchase And Procurement Procedures                | Unresolved          | See corrective action for current year finding 2023-002. |
| 2022-003       | The Fiscal Court Did Not Segregate Duties Over Accounting Functions                     | Unresolved          | See corrective action for current year finding 2023-003. |
| 2022-004       | The Fiscal Court Did Not Budget Two Funds   | Partially Resolved. | Exit comment only.                                       |
| 2022-005       | The Fiscal Court Did Not Prepare An Accurate Schedule Of Expenditures Of Federal Awards | Resolved            |  |

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

**MCCREARY COUNTY FISCAL COURT**

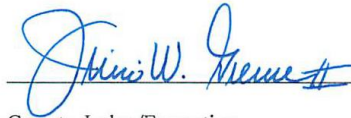
**For The Year Ended June 30, 2023**

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CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM  
MCCREARY COUNTY FISCAL COURT

For The Year Ended June 30, 2023

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



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County Judge/Executive



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County Treasurer