

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

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



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

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ALLISON BALL AUDITOR OF PUBLIC ACCOUNTS

Independent Auditor's Report

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

Report on the Audit of the Financial Statement

Opinions

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances – Regulatory Basis of the McCreary County Fiscal Court, for the year ended June 30, 2024, 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 accompanying 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, 2024, in accordance with accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Fiscal Court Audit Guide* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the 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.



To the People of Kentucky
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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the McCreary County Fiscal Court's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the McCreary County Fiscal Court's internal control. Accordingly, no such opinion is expressed.

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the McCreary County Fiscal Court's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the 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 July 7, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the 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 Responses included herein, which discusses the following report findings:

- 2024-001 The Payroll Revolving Account Was Not Properly Reconciled
- 2024-002 The Fiscal Court Did Not Have Proper Purchase And Procurement Procedures
- 2024-003 The Fiscal Court's Internal Controls Over Payroll Were Not Operating Effectively
- 2024-004 The Fiscal Court Did Not Have Adequate Internal Controls Over The Rural Business Enterprise Grants Revolving Loan Program
- 2024-005 The Fiscal Court Did Not Segregate Duties Over Accounting Functions

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

July 7, 2025

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

Jimmie W. Greene II	County Judge/Executive
William D. Hale, Jr.	Magistrate
Bobby Strunk	Magistrate
Randy Maxwell	Magistrate
Bill Taylor	Magistrate

Other Elected Officials:

Austin Price	County Attorney
Jessie Hatfield	Jailer
Eric Haynes	County Clerk
Othel King	Circuit Court Clerk
David Sampson	Sheriff
Dwight Ross	Property Valuation Administrator
Tim Corder	Coroner

Appointed Personnel:

Geraldine Laxton	County Treasurer
Randy Jones	Former Chief Financial Officer
Deborah Gilreath	Chief Financial Officer
Nathan H. Nevels II	Former Deputy Judge-Executive

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

For The Year Ended June 30, 2024

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

For The Year Ended June 30, 2024

	<u>Budgeted Funds</u>		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 934,882	\$	\$
In Lieu Tax Payments	512,742	298,167	
Excess Fees	16,588		
Licenses and Permits	180,477	34,596	
Intergovernmental	1,676,937	2,216,938	85,582
Charges for Services	2,304,394		
Miscellaneous	459,330	155,769	48,906
Interest	4,049	594	194
Total Receipts	<u>6,089,399</u>	<u>2,706,064</u>	<u>134,682</u>
DISBURSEMENTS			
General Government	1,673,876		
Protection to Persons and Property	2,535,115		1,321,270
General Health and Sanitation	281,876		
Recreation and Culture	293,994		
Roads		2,239,059	
Airports	86,089		
Road Facilities		346,832	
Administration	<u>2,129,418</u>	<u>379,732</u>	<u>50,057</u>
Total Disbursements	<u>7,000,368</u>	<u>2,965,623</u>	<u>1,371,327</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(910,969)</u>	<u>(259,559)</u>	<u>(1,236,645)</u>
Other Adjustments to Cash (Uses)			
Payroll Revolving Account	24,230		
Adjustment to Prior Year Surplus		2,700	
Transfers From Other Funds	1,692,879	288,675	1,213,646
Transfers To Other Funds	<u>(688,675)</u>	<u>(34,494)</u>	
Total Other Adjustments to Cash (Uses)	<u>1,028,434</u>	<u>256,881</u>	<u>1,213,646</u>
Net Change in Fund Balance	117,465	(2,678)	(22,999)
Fund Balance - Beginning	<u>3,837,381</u>	<u>471,284</u>	<u>165,752</u>
Fund Balance - Ending	<u>\$ 3,954,846</u>	<u>\$ 468,606</u>	<u>\$ 142,753</u>
Composition of Fund Balance			
Bank Balance	\$ 4,415,442	\$ 623,511	\$ 152,218
Payroll Revolving Account	24,230		
Less: Outstanding Checks	<u>(484,826)</u>	<u>(154,905)</u>	<u>(9,465)</u>
Fund Balance - Ending	<u>\$ 3,954,846</u>	<u>\$ 468,606</u>	<u>\$ 142,753</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, 2024
(Continued)

Budgeted Funds						
Local Government	Economic Assistance Fund	Ambulance Equipment Fund	Occupational Tax Fund	Opioid Settlement Fund	Revolving Loan Fund	KPDI Fund
	\$	\$	\$ 2,419,081	\$	\$	\$
50,121				42,513		
57	55,000	83	183	144,650	34	75,633
50,178	<u>55,083</u>	<u>83</u>	<u>183</u>	<u>144,826</u>	<u>34</u>	<u>252</u>
62,775				20,000		
52,247						
52,247	<u>62,775</u>			<u>20,000</u>	<u>10,577</u>	
(2,069)	<u>(7,692)</u>	<u>2,419,264</u>	<u>144,826</u>	<u>22,547</u>	<u>65,308</u>	
11,422						
11,422	<u>(2,440,938)</u>			<u>(42,513)</u>		
9,353	<u>(7,692)</u>	<u>(21,674)</u>	<u>144,826</u>	<u>(19,966)</u>	<u>65,308</u>	
48,487	<u>65,241</u>	<u>76,016</u>	<u>139,201</u>	<u>25,080</u>	<u>211,578</u>	
\$ 57,840	<u>\$ 57,549</u>	<u>\$ 54,342</u>	<u>\$ 284,027</u>	<u>\$ 5,114</u>	<u>\$ 276,886</u>	<u>\$ 0</u>
\$ 57,840	<u>\$ 57,549</u>	<u>\$ 54,342</u>	<u>\$ 284,027</u>	<u>\$ 5,114</u>	<u>\$ 276,886</u>	<u>\$ 0</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, 2024
(Continued)

Budgeted Funds					
	County Clerk Permanent Storage Fund	OVC OVC CDBG Fund	OVC AML Project Fund	Total Funds	
RECEIPTS					
Taxes	\$	\$	\$	\$	3,353,963
In Lieu Tax Payments					810,909
Excess Fees					16,588
Licenses and Permits					215,073
Intergovernmental			812,339		4,884,430
Charges for Services					2,304,394
Miscellaneous	21,080				960,368
Interest	24				5,646
Total Receipts	21,104		812,339		12,551,371
DISBURSEMENTS					
General Government	14,335		1,016,319		2,704,530
Protection to Persons and Property					3,939,160
General Health and Sanitation					281,876
Recreation and Culture					293,994
Roads					2,291,306
Airports					86,089
Road Facilities					346,832
Administration					2,569,784
Total Disbursements	14,335		1,016,319		12,513,571
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	6,769		(203,980)		37,800
Other Adjustments to Cash (Uses)					
Payroll Revolving Account					24,230
Adjustment to Prior Year Surplus					2,700
Transfers From Other Funds					3,206,622
Transfers To Other Funds		(2)			(3,206,622)
Total Other Adjustments to Cash (Uses)		(2)			26,930
Net Change in Fund Balance	6,769	(2)	(203,980)		64,730
Fund Balance - Beginning	19,627	2	203,980		5,263,629
Fund Balance - Ending	\$ 26,396	\$ 0	\$ 0		\$ 5,328,359
Composition of Fund Balance					
Bank Balance	\$ 26,396	\$	\$		\$ 5,953,325
Payroll Revolving Account					24,230
Less: Outstanding Checks					(649,196)
Fund Balance - Ending	\$ 26,396	\$ 0	\$ 0		\$ 5,328,359

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

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TO THE FINANCIAL STATEMENT**

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**MCCREARY COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2024

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 for and on behalf of, and as the agency and instrumentality of the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

The McCreary County Tourism Commission would have been included in the reporting entity under accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. However, under the regulatory basis, it no longer is a required component 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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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

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

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

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 revenues received as a result of the opioid settlement related to Oxycontin. Funds received under this settlement are to be used in efforts to reduce the illicit use of opioids.

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

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.

KDPI Fund - The primary purpose of this fund is to account for funds received from the Kentucky Product Development Initiative (KDPI). This program helps communities be better positioned to attract jobs and business investment. The primary source of receipts for this fund is a grant from the state government.

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

OVC / CDGB Fund - The primary purpose of this fund is to account for pass-through grants 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).

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

OVC / AML Fund – The primary purpose of this fund is to account for grant monies to the McCreary County Industrial Authority for the Outdoor Ventures Corporation (OVC). The source of receipts for this fund is Abandoned Mine Lands (AML) federal grant.

D. Budgetary Information

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

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

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

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, 2024
(Continued)**

Note 1. Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments

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

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

G. Long-term Obligations

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

H. Related Obligations

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

McCreary County Health Department
McCreary County Water District

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, 2024, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

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

Note 3. Transfers

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

	General Fund	Road Fund	Occupational Tax Fund	Grant Fund	OVC/CDGB Fund	Total Transfers In
General Fund	\$ 388,578	\$ 34,494	\$ 1,227,292	\$ 42,513	\$ 2	\$ 1,692,879
Road Fund	288,675					288,675
Jail Fund			1,213,646			1,213,646
LGEA Fund	<u>11422</u>					<u>11,422</u>
Total Transfers Out	<u>\$ 688,675</u>	<u>\$ 34,494</u>	<u>\$ 2,440,938</u>	<u>\$ 42,513</u>	<u>\$ 2</u>	<u>\$ 3,206,622</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.

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. Some of the recipients of loans made in prior years have filed for bankruptcy, rendering those amounts uncollectible. The receivable amount deemed uncollectible due to bankruptcy filings is \$384,035. The balance of both the SMART and RBEG receivables due as of June 30, 2024, is \$347,967.

Note 5. Leases

1. Lessor

A. Administrative Office of the Courts (AOC)

On July 1, 2023, the McCreary County Fiscal Court entered into a leasing agreement with the Administrative Office of the Courts (AOC) for occupancy space and storage in the McCreary County Courthouse. The lease was for one fiscal year and McCreary County would receive quarterly payments. McCreary County recognized \$271,484 in lease revenue and \$55,477 in unpaid prior year revenue related to this lease. As of June 30, 2024, the McCreary County Fiscal Court's receivable for lease payments was \$0.

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

Note 5. Leases (Continued)

1. Lessor (Continued)

B. Administrative Office of the Court (AOC) Drug Court

On July 1, 2023, the McCreary County Fiscal Court entered into a leasing agreement with the Administrative Office of the Courts (AOC) for occupancy space in the McCreary County Courthouse for the purpose of Drug Court. The lease was for one fiscal year and McCreary County would receive quarterly payments. McCreary County recognized \$11,600 in lease revenue related to this lease. As of June 30, 2024, the McCreary County Fiscal Court's receivable for lease payments was \$0.

2. Lessee

A. Office Equipment

During fiscal years 2020 through 2023, McCreary County entered into multiple lease agreements as lessee for the acquisition and use of ten copiers/office equipment. An initial lease liability was recorded in the amount of \$54,817. As of June 30, 2024, the value of the lease liability was \$13,244. McCreary County is required to make monthly principal payments of \$947.

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

Fiscal Year Ended	
<u>June 30</u>	<u>Amount</u>
2025	\$ 5,444
2026	3,517
2027	2,313
2028	<u>1,970</u>
Total Minimum Lease Payments	<u>\$ 13,244</u>

B. Vehicles

During fiscal years 2022 and 2023, McCreary County entered into multiple lease agreements as lessee for the acquisition and use of three vehicles. An initial lease liability was recorded in the amount of \$73,202. As of June 30, 2024, the value of the lease liability was \$22,190. McCreary County is required to make monthly principal payments of \$2,433.

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

Fiscal Year Ended	
<u>June 30</u>	<u>Amount</u>
2025	<u>\$ 22,190</u>
Total Minimum Lease Payments	<u>\$ 22,190</u>

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

Note 6. Employee Retirement System

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

The county's contribution for FY 2022 was \$678,081, FY 2023 was \$773,106, and FY 2024 was \$715,762.

Nonhazardous

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

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

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

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

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

Note 6. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (Continued)

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

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

Benefits are covered under KRS 78.5536.

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

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

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

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

C. Cost of Living Adjustments - Tier 1

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

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

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

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

Note 6. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

E. Death Benefit

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

F. Annual Financial Report and Proportionate Share Audit Report

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

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

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.

Note 8. Health Reimbursement Account/Flexible Spending Account

The McCreary County 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.

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

Note 9. Insurance

For the fiscal year ended June 30, 2024, 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 45 loans totaling \$1,826,345 over the program's existence. Five of the loans were to related parties as listed below:

Relationship	Loans To Related Parties	Disposition Of Loan
Former McCreary County Fiscal Court Deputy Judge/ Executive and Wife	\$22,519 loan in July 2003	No payments received in FY 2024 Note - interest rate lowered to one percent in FY 2017
Borrower was related to the President of the Loan Board	\$50,000 loan in November 2006	Filed bankruptcy January 20, 2010
Former McCreary County Fiscal Court Deputy Judge/ Executive and Wife	\$15,000 loan in January 2008	Paid Off in FY 2024 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 McCreary County Fiscal Court Deputy Judge/Executive	\$75,000 loan in September 2011	Six payments received in FY 2024 Note - interest rate lowered to one percent in FY 2017

Note 11. Payroll Revolving Account

The reconciled balance \$24,230 of the payroll revolving account as of June 30, 2024, was added to the General Fund cash balance for financial reporting purposes.

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

For The Year Ended June 30, 2024

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MCCREARY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2024

GENERAL FUND						
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)		Variance with Final Budget Positive (Negative)	
	Original	Final				
RECEIPTS						
Taxes	\$ 818,000	\$ 846,429	\$ 934,882	\$ 88,453		
In Lieu Tax Payments	360,000	375,279	512,742	137,463		
Excess Fees	12,750	12,750	16,588	3,838		
Licenses and Permits	156,600	156,600	180,477	23,877		
Intergovernmental	1,276,195	1,512,568	1,676,937	164,369		
Charges for Services	1,769,000	1,770,178	2,304,394	534,216		
Miscellaneous	48,900	298,357	459,330	160,973		
Interest	500	2,407	4,049	1,642		
Total Receipts	<u>4,441,945</u>	<u>4,974,568</u>	<u>6,089,399</u>	<u>1,114,831</u>		
DISBURSEMENTS						
General Government	1,458,512	2,218,788	1,673,876	544,912		
Protection to Persons and Property	2,451,300	3,054,663	2,535,115	519,548		
General Health and Sanitation	291,700	363,422	281,876	81,546		
Recreation and Culture	141,650	380,340	293,994	86,346		
Airports	17,950	349,114	86,089	263,025		
Administration	3,275,822	2,580,447	2,129,418	451,029		
Total Disbursements	<u>7,636,934</u>	<u>8,946,774</u>	<u>7,000,368</u>	<u>1,946,406</u>		
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(3,194,989)</u>	<u>(3,972,206)</u>	<u>(910,969)</u>	<u>3,061,237</u>		
Other Adjustments to Cash (Uses)						
Transfers From Other Funds	1,166,750	1,166,750	1,692,879	526,129		
Transfers To Other Funds	(771,761)	(771,761)	(688,675)	83,086		
Total Other Adjustments to Cash (Uses)	<u>394,989</u>	<u>394,989</u>	<u>1,004,204</u>	<u>609,215</u>		
Net Change in Fund Balance	(2,800,000)	(3,577,217)	93,235	3,670,452		
Fund Balance - Beginning	<u>2,800,000</u>	<u>3,837,381</u>	<u>3,837,381</u>			
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 260,164</u>	<u>\$ 3,930,616</u>	<u>\$ 3,670,452</u>		

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

ROAD FUND						
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)		Variance with Final Budget	
	Original	Final			Positive	(Negative)
RECEIPTS						
In Lieu Tax Payments	\$ 300,000	\$ 300,000	\$ 298,167	\$ (1,833)		
Licenses and Permits			34,596	34,596		
Intergovernmental	1,655,131	1,958,365	2,216,938	258,573		
Miscellaneous	164,500	164,500	155,769	(8,731)		
Interest	400	400	594	194		
Total Receipts	<u>2,120,031</u>	<u>2,423,265</u>	<u>2,706,064</u>	<u>282,799</u>		
DISBURSEMENTS						
Roads	1,647,975	2,462,805	2,239,059	223,746		
Road Facilities	281,630	444,325	346,832	97,493		
Administration	523,332	448,000	379,732	68,268		
Total Disbursements	<u>2,452,937</u>	<u>3,355,130</u>	<u>2,965,623</u>	<u>389,507</u>		
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(332,906)</u>	<u>(931,865)</u>	<u>(259,559)</u>	<u>672,306</u>		
Other Adjustments to Cash (Uses)						
Adjustment to Prior Year Surplus			2,700	2,700		
Transfers From Other Funds	157,906	157,906	288,675	130,769		
Transfers To Other Funds			(34,494)	(34,494)		
Total Other Adjustments to Cash (Uses)	<u>157,906</u>	<u>157,906</u>	<u>256,881</u>	<u>98,975</u>		
Net Change in Fund Balance	(175,000)	(773,959)	(2,678)	771,281		
Fund Balance - Beginning	<u>175,000</u>	<u>471,284</u>	<u>471,284</u>	<u></u>		
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (302,675)</u>	<u>\$ 468,606</u>	<u>\$ 771,281</u>		

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

JAIL FUND						
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget		
	Original	Final		Positive (Negative)		
RECEIPTS						
Intergovernmental	\$ 91,000	\$ 91,000	\$ 85,582	\$ (5,418)		
Miscellaneous	39,700	44,434	48,906	4,472		
Interest	25	25	194	169		
Total Receipts	<u>130,725</u>	<u>135,459</u>	<u>134,682</u>	<u>(777)</u>		
DISBURSEMENTS						
Protection to Persons and Property	1,329,600	1,382,353	1,321,270	61,083		
Administration	58,355	116,087	50,057	66,030		
Total Disbursements	<u>1,387,955</u>	<u>1,498,440</u>	<u>1,371,327</u>	<u>127,113</u>		
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,257,230)</u>	<u>(1,362,981)</u>	<u>(1,236,645)</u>	<u>126,336</u>		
Other Adjustments to Cash (Uses)						
Transfers From Other Funds	1,197,230	1,197,230	1,213,646	16,416		
Total Other Adjustments to Cash (Uses)	<u>1,197,230</u>	<u>1,197,230</u>	<u>1,213,646</u>	<u>16,416</u>		
Net Change in Fund Balance	(60,000)	(165,751)	(22,999)	142,752		
Fund Balance - Beginning	60,000	165,751	165,752	1		
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 142,753</u>	<u>\$ 142,753</u>		

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

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 3,500	\$ 48,595	\$ 50,121	\$ 1,526
Interest	50	50	57	7
Total Receipts	<u>3,550</u>	<u>48,645</u>	<u>50,178</u>	<u>1,533</u>
DISBURSEMENTS				
Roads	46,550	97,132	52,247	44,885
Administration				
Total Disbursements	<u>46,550</u>	<u>97,132</u>	<u>52,247</u>	<u>44,885</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(43,000)</u>	<u>(48,487)</u>	<u>(2,069)</u>	<u>46,418</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			11,422	11,422
Total Other Adjustments to Cash (Uses)			<u>11,422</u>	<u>11,422</u>
Net Change in Fund Balance	(43,000)	(48,487)	9,353	57,840
Fund Balance - Beginning	<u>43,000</u>	<u>48,487</u>	<u>48,487</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 57,840</u>	<u>\$ 57,840</u>

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

AMBULANCE EQUIPMENT FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
	RECEIPTS			
Miscellaneous	\$ 60,000	\$ 60,000	\$ 55,000	\$ (5,000)
Interest	10	10	83	73
Total Receipts	<u>60,010</u>	<u>60,010</u>	<u>55,083</u>	<u>(4,927)</u>
DISBURSEMENTS				
Protection to Persons and Property	115,010	125,251	62,775	62,476
Total Disbursements	<u>115,010</u>	<u>125,251</u>	<u>62,775</u>	<u>62,476</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(55,000)</u>	<u>(65,241)</u>	<u>(7,692)</u>	<u>57,549</u>
Net Change in Fund Balance	(55,000)	(65,241)	(7,692)	57,549
Fund Balance - Beginning	<u>55,000</u>	<u>65,241</u>	<u>65,241</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 57,549</u>	<u>\$ 57,549</u>

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

OCCUPATIONAL TAX FUND					
	Budgeted Amounts		Actual	Variance with Final Budget	
	Original	Final	(Budgetary Basis)	Positive (Negative)	
RECEIPTS					
Taxes	\$ 1,750,000	\$ 1,750,000	\$ 2,419,081	\$ 669,081	
Interest	125	125	183	58	
Total Receipts	<u>1,750,125</u>	<u>1,750,125</u>	<u>2,419,264</u>	<u>669,139</u>	
DISBURSEMENTS					
Administration					
Total Disbursements					
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	1,750,125	1,750,125	2,419,264	669,139	
Other Adjustments to Cash (Uses)					
Transfers To Other Funds	(1,750,125)	(1,750,125)	(2,440,938)	(690,813)	
Total Other Adjustments to Cash (Uses)	<u>(1,750,125)</u>	<u>(1,750,125)</u>	<u>(2,440,938)</u>	<u>(690,813)</u>	
Net Change in Fund Balance			(21,674)	(21,674)	
Fund Balance - Beginning			76,016	76,016	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 54,342</u>	<u>\$ 54,342</u>	

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

OPIOID SETTLEMENT FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 25,000	\$ 25,000	\$ 144,650	\$ 119,650
Interest	10	10	176	166
Total Receipts	<u>25,010</u>	<u>25,010</u>	<u>144,826</u>	<u>119,816</u>
DISBURSEMENTS				
Social Services	164,188	164,211		164,211
Total Disbursements	<u>164,188</u>	<u>164,211</u>		<u>164,211</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(139,178)</u>	<u>(139,201)</u>	<u>144,826</u>	<u>284,027</u>
Net Change in Fund Balance	(139,178)	(139,201)	144,826	284,027
Fund Balance - Beginning	<u>139,178</u>	<u>139,201</u>	<u>139,201</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 284,027</u>	<u>\$ 284,027</u>

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

GRANT FUND					
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget	
	Original	Final		Positive (Negative)	
RECEIPTS					
Intergovernmental	\$ 10,000	\$ 52,513	\$ 42,513	\$ (10,000)	
Interest			34		34
Total Receipts	<u>10,000</u>	<u>52,513</u>	<u>42,547</u>		<u>(9,966)</u>
DISBURSEMENTS					
Protection to Persons and Property	26,000	35,080	20,000		15,080
Total Disbursements	<u>26,000</u>	<u>35,080</u>	<u>20,000</u>		<u>15,080</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(16,000)</u>	<u>17,433</u>	<u>22,547</u>		<u>5,114</u>
Other Adjustments to Cash (Uses)					
Transfers To Other Funds			(42,513)		(42,513)
Total Other Adjustments to Cash (Uses)			<u>(42,513)</u>		<u>(42,513)</u>
Net Change in Fund Balance	(16,000)	17,433	(19,966)		(37,399)
Fund Balance - Beginning	<u>16,000</u>	<u>25,080</u>	<u>25,080</u>		
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 42,513</u>	<u>\$ 5,114</u>		<u>\$ (37,399)</u>

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

REVOLVING LOAN FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 60,000	\$ 60,000	\$ 75,633	\$ 15,633
Interest	50	50	252	202
Total Receipts	<u>60,050</u>	<u>60,050</u>	<u>75,885</u>	<u>15,835</u>
DISBURSEMENTS				
Administration	262,050	271,628	10,577	261,051
Total Disbursements	<u>262,050</u>	<u>271,628</u>	<u>10,577</u>	<u>261,051</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(202,000)</u>	<u>(211,578)</u>	<u>65,308</u>	<u>276,886</u>
Net Change in Fund Balance	(202,000)	(211,578)	65,308	276,886
Fund Balance - Beginning	<u>202,000</u>	<u>211,578</u>	<u>211,578</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 276,886</u>	<u>\$ 276,886</u>

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

KDPI FUND			
		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Budgeted Amounts		
	Original	Final	
RECEIPTS			
Licenses and Permits	\$ 416,000	\$ 416,000	\$ (416,000)
Total Receipts	<u>416,000</u>	<u>416,000</u>	<u>(416,000)</u>
DISBURSEMENTS			
General Health and Sanitation	416,000	416,000	416,000
Total Disbursements	<u>416,000</u>	<u>416,000</u>	<u>416,000</u>
Net Change in Fund Balance			
Fund Balance - Beginning	0	0	0
Fund Balance - Ending	<u>0</u>	<u>0</u>	<u>0</u>

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

COUNTY CLERK PERMANENT STORAGE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 21,000	\$ 21,000	\$ 21,080	\$ 80
Interest			24	24
Total Receipts	<u>21,000</u>	<u>21,000</u>	<u>21,104</u>	<u>104</u>
DISBURSEMENTS				
General Government	37,000	40,627	14,335	26,292
Total Disbursements	<u>37,000</u>	<u>40,627</u>	<u>14,335</u>	<u>26,292</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(16,000)</u>	<u>(19,627)</u>	<u>6,769</u>	<u>26,396</u>
Net Change in Fund Balance	(16,000)	(19,627)	6,769	26,396
Fund Balance - Beginning	<u>16,000</u>	<u>19,627</u>	<u>19,627</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 26,396</u>	<u>\$ 26,396</u>

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

OVC/CDBG FUND			
	Budgeted Amounts	Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	\$
RECEIPTS			
Intergovernmental			
Total Receipts			
	2	2	2
DISBURSEMENTS			
General Government			
Total Disbursements			
	2	2	2
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			
	(2)	(2)	2
Other Adjustments to Cash (Uses)			
Transfers To Other Funds			
Total Other Adjustments to Cash (Uses)			
	(2)	(2)	(2)
Net Change in Fund Balance			
Fund Balance - Beginning			
	2	2	2
Fund Balance - Ending			
	\$ 0	\$ 0	\$ 0

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

OVC/AML PROJECT FUND				
			Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Budgeted Amounts			
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 3,500,000	\$ 3,500,000	\$ 812,339	\$ (2,687,661)
Total Receipts	<u>3,500,000</u>	<u>3,500,000</u>	<u>812,339</u>	<u>(2,687,661)</u>
DISBURSEMENTS				
General Government	<u>3,500,000</u>	<u>3,500,000</u>	<u>1,016,319</u>	<u>2,483,681</u>
Total Disbursements	<u>3,500,000</u>	<u>3,500,000</u>	<u>1,016,319</u>	<u>2,483,681</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			(203,980)	(203,980)
Net Change in Fund Balance Fund Balance - Beginning			(203,980)	(203,980)
	<u>203,980</u>	<u>203,980</u>	<u>203,980</u>	<u>203,980</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

MCCREARY COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2024

Note 1. Budgetary Information

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

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

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

Note 2. Reconciliation of the General Fund

Other Adjustments to Cash (Uses) - Budgetary Basis	\$ 1,004,204
Adjustment for Payroll Revolving Account Balance	<u>24,230</u>

Total Other Adjustments to Cash (Uses) - Regulatory Basis	<u>\$ 1,028,434</u>
---	---------------------

Fund Balance - Ending - Budgetary Basis	\$ 3,930,616
Adjustment for Payroll Revolving Account Balance	<u>24,230</u>

Total Fund Balance - Ending - Budgetary Basis	<u>\$ 3,954,846</u>
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**MCCREARY COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For The Year Ended June 30, 2024

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MCCREARY COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity's Identifying Number	Provided to Subrecipient	Total Federal Expenditures
<u>U. S. Department of Treasury</u>				
<i>Direct Program</i>				
Local Assistance and Tribal Consistency Fund	21.032			\$ 709,870
Total U.S. Department of Treasury				\$ 709,870
<u>U. S. Department of Homeland Security</u>				
<i>Direct Program</i>				
Assistance to Firefighters Grant	97.044			\$ 173,198
<i>Passed-Through Kentucky Department of Emergency Management</i>				
Emergency Management Performance Grant	97.042	2300000859		\$ 44,584
Total U.S. Department of Homeland Security				\$ 217,782
<u>U. S. Department of the Interior</u>				
<i>Passed-Through Kentucky Department Energy and Environment Cabinet</i>				
Abandoned Mine Land Reclamation (AMLR)	15.252	2100001046		\$ 1,016,319
Total U.S. Department of the Interior				\$ 1,016,319
<u>U. S. Department of Housing and Urban Development</u>				
<i>Passed-Through Kentucky Department for Local Government</i>				
Community Development Block Grants	14.228	18-064		\$ 2
Total U.S. Department of Housing and Urban Development				\$ 2
<u>U. S. Department of Agriculture</u>				
<i>Direct Program</i>				
Rural Business Development Grant	10.351			\$ 10,000
Total U.S. Department of Agriculture				\$ 10,000
Total Expenditures of Federal Awards				\$ 1,953,973

The accompanying notes are an integral part of this schedule.

MCCREARY COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2024

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of McCreary County, Kentucky under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of 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% 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, 2024

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MCCREARY COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2024

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 2,096,783	\$	\$	\$ 2,096,783
Buildings	9,229,568			9,229,568
Vehicles and Equipment	1,298,347			1,298,347
Other Equipment	2,191,877			2,191,877
Infrastructure	<u>9,172,865</u>			<u>9,172,865</u>
 Total Capital Assets	 <u>\$ 23,989,440</u>	 <u>\$ 0</u>	 <u>\$ 0</u>	 <u>\$ 23,989,440</u>

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

June 30, 2024

Note 1. Capital Assets

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

	<u>Capitalization Threshold</u>	<u>Useful Life (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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ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the McCreary County Fiscal Court for the fiscal year ended June 30, 2024, 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 July 7, 2025.

Report on 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 have not been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

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 deficiency described in the accompanying Schedule of Findings and Responses as item 2024-005 to be a material weakness.



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

Report on 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 Responses as items 2024-001, 2024-002, 2024-003, and 2024-004 to be significant deficiencies.

Report on 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2024-001, 2024-002, 2024-003, 2024-004, and 2024-005.

Views of Responsible Officials and Planned Corrective Action

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

Purpose of this Report

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

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

July 7, 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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**ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS**

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

Independent Auditor's Report

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

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 U.S. *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, 2024. 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, the 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, 2024.

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 the 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 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.

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 (Continued)

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,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

July 7, 2025

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

For The Year Ended June 30, 2024

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MCCREARY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2024

Section I: Summary of Auditor's Results

Financial Statement

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

Internal control over financial reporting:

<ul style="list-style-type: none"> • Are any material weaknesses identified? • Are any significant deficiencies identified? 	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> None Reported
---	---	--

Are any noncompliances material to financial statements noted?

Yes No

Federal Awards

Internal control over major programs:

<ul style="list-style-type: none"> • Are any material weaknesses identified? • Are any significant deficiencies identified? 	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<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)?

Yes No

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
15.252	Abandoned Mine Land Reclamation (AMLR)

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as a low-risk auditee?

Yes No

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

Section II: Financial Statement Findings

2024-001 The Payroll Revolving Account Was Not Properly Reconciled

This is a repeat finding and was included in the prior year audit report as finding 2023-001. The payroll revolving account did not reconcile to zero as of June 30, 2024, and the remaining balance could not be readily explained. According to the information available to auditors, the bank statement balance on June 30, 2024, was \$147,023, with \$17,283 of outstanding checks, and \$105,510 of outstanding liabilities, leaving an unexplained balance of \$24,230. In addition, the account was overdrawn 13 times between July 2023 and March 2024. The bank did not charge any overdrawn fees.

According to the new finance officer, she is not sure where the additional funds in the account belong since she (and the former finance officer) transferred funds according to the payroll summary report calculated by the county's accounting software.

The unreconciled payroll account caused the fiscal court to have insufficient funds to meet payroll requirements. Although the bank did not charge a fee or send the insufficient funds checks back, the unreconciled account could have caused the fiscal court's liabilities to not be paid properly or 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.

KRS 46.010(2) requires, "each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements." Proper reconciliation of revolving accounts to zero is part of the accurate accounting of receipts and disbursements.

We recommend the fiscal court properly reconcile the payroll revolving account to a zero balance monthly. If the fiscal court cannot determine the source of the surplus funds, we recommend the county open a new payroll revolving account and transfer the surplus of the current revolving account to the General Fund once all checks written from the original payroll revolving account have cleared. 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: We have initiated the following actions: 1) A spreadsheet has been developed for each payroll deduction with the deposit amount, and then reconciled with the payment amount for the entire fiscal year 2024/2025. We know the approximate amount of the overage and are taking fiscal court action to approve the amount which is over. 2) Fiscal court action was taken to change the payroll deposit to the date which [bank name redacted] makes the deposit available to the employees. This should have already corrected the overdraft condition of the account.

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

Section II: Financial Statement Findings (Continued)

2024-002 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 2023-002. The fiscal court did not have proper purchase and procurement procedures as noted by the following deficiencies:

Of the 59 invoices tested:

- Eleven invoices, totaling \$574,984, did not have purchase orders.
- One invoice totaling \$100 was a duplicate of the previous month invoice.
- One invoice was a partial prepayment of services (\$500 of the \$1,500 total).

The deficiencies are a 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.

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

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 following the state law and the county administrative code. We recommend all individuals review sufficient documentation to ensure invoices are not duplicates or are requesting the pre-payment of services. We further recommend all purchase orders be issued and completed properly.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive’s Response: We have initiated the following actions: 1) Purchase orders are now issued for all checks issued other than payroll. 2) The duplicated invoice which was paid has undergone a complete change in procedure in the manner for which the bill was paid. The service has now been incorporated into normal job duties and is issued in payroll. It will not re-occur since it has been eliminated. 3) The prepayment noted involved one vendor and has been corrected in our invoicing and rectified.

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

Section II: Financial Statement Findings (Continued)

2024-003 The Fiscal Court's Internal Controls Over Payroll Were Not Operating Effectively

This is a repeat finding and was included in the prior year audit report as finding 2023-004. The McCreary County Fiscal Court's internal controls over payroll processes were not operating effectively as noted by the following deficiencies:

- Three timesheets of the 48 tested had hours that did not match the employee's pay stub.
- Two timesheets of the 48 tested had regularly scheduled shifts overlapping with call time.
- One timesheet of the 48 tested could not be located.
- One timesheet of the 48 tested utilized sick time when the employee did not have an available sick leave balance.
- One timesheet of the 48 tested was not approved by a supervisor.
- One timesheet of the 48 tested used vacation time, but listed the hours as having actually been worked.
- Two timesheets of the 48 tested contained overtime hours that were in fact regular hours.
- One timesheet of the 48 tested contained compensatory time for an ineligible employee.
- The FSA/HRA bank account had insufficient funds of \$9,300 as of June 30, 2024.

The above deficiencies occurred as a result of the improper design and implementation of internal controls as well as management override on controls.

- A supervisor allowed an employee (who could not use vacation time due to low staffing levels in the employee's department) to record regular time when taking vacation the following year so the employee could essentially carryover the vacation time off the books and circumvent the controls put in place.
- A control system was not in place to properly account for compensatory (comp) time. According to the finance officer, supervisors kept track of and approved comp time for employees in their department. No balances of comp time earned or used were kept by anyone processing payroll and no supporting documentation was submitted with timesheets to verify comp time used was available. In one case, a part-time employee was accruing and claiming comp time; however, the administrative code did not specify that part-time employees could accrue comp time. The part-time employee was allowed to keep track of his own comp time with no documentation it had been reviewed or approved by a supervisor or anyone processing payroll.
- The county offers an FSA and HRA as part of its benefit package. The FSA allows an employee to deduct pre-tax contributions to be used for qualified medical expenses up to \$3,050 for fiscal year 2024. These funds are held in the FSA/ HRA revolving account and paid to a third-party administrator when the employee uses their funds. They can carryover up to \$610 to the following year, but any unused funds above this must be forfeited to the county. The HRA allows an employee to spend up to \$2,000 for qualified medical expenses which will be covered by the county. The county paid the third-party administrator as the employee incurred these expenses. During fiscal year 2024, the county was not monitoring individual employees FSA or HRA spending therefore it could not be determined whether the employees had exceeded their maximum allowances.

A lack of strong internal controls could result in employees being underpaid, overpaid, or using time they had not earned.

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

Section II: Financial Statement Findings (Continued)

2024-003 The Fiscal Court's Internal Controls Over Payroll Were Not Operating Effectively (Continued)

Because the county was not monitoring FSA/HRA expenditures, forfeiture amounts remained in the payroll revolving account at year end resulting in an unexplained ending balance in the payroll bank account and a negative balance in the FSA/HRA revolving bank account.

KRS 46.010(3) requires, “all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires.” The proper monitoring of employee benefits and compensatory time are basic internal controls necessary to ensure the accuracy and reliability of financial reports. Additionally, reconciling the payroll revolving account to zero each month is another control necessary for ensuring the integrity of financial reports. Management must adhere to the control structure in place for it to be effective.

KRS 337.320(1) states, “[e]very employer shall keep a record of: (a) The amount paid each pay period to each employee; (b) The hours worked each day and each week by each employee; and (c) Such other information as the commissioner requires.

Per the Vacation Section of the McCreary County Administrative Code, “Vacation leave will reset every year on January 1.”

We recommend the fiscal court put a control system in place to monitor sick, vacation and leave time, ensure timesheets are reviewed by supervisors and that the review is documented by signature or initials. We further recommend the fiscal court monitor the FSA/HSA account balances to ensure the bank account is properly funded. In addition, the fiscal court should ensure all members of management comply with the controls the county has implemented. This payroll issue will be referred to the Kentucky Attorney General’s Office for review.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: We have purchased an electronic timekeeping system to reduce the possibility of human error. We have also initiated a secondary step where calculations are reviewed, and then before the end of the year, we do an internal audit to review any errors so improvement is a continual part of our process. We have addressed compensatory time issues with additional instruction in our administrative code, stopped compensatory time where necessary, and maintain well-documented records to support the hours. In addition, we have replaced the previous administrator of our HRA/FSA with a more modern method of reporting so that balances and reports are available to us at all times.

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

Section II: Financial Statement Findings (Continued)

2024-004 The Fiscal Court Did Not Have Adequate Internal Controls Over The Rural Business Enterprise Grants Revolving Loan Program

The McCreary County Fiscal Court has utilized United States Department of Agriculture (USDA) grants to run a Rural Business Enterprise Grant (RBEG) program since 1994. The program is designed to encourage new employment opportunities within the county by providing low-cost financing to new businesses. The fiscal court has made 45 loans, totaling \$1,845,345 from fiscal year 1994 through fiscal year 2024. The following issues with the program were noted for fiscal year 2024:

- Four loan recipients did not accrue interest during months they did not make payments.
- One loan recipient had erroneously accrued interest for one month when a payment had been made early.
- One loan recipient had a payment applied to the wrong month, resulting in an incorrect balance due as of June 30.
- One loan recipient's promissory note could not be located to verify accurate payments were being made.
- One loan appears to have been refinanced in 2020; however, no loan documents could be located. The loan's amortization schedule was changed without a promissory note to support it.

The fiscal court failed to implement controls over the RBEG program. Inadequate internal controls over the RBEG program could result in the county not collecting money it is owed or overcharging loan recipients. This could also result in an inaccurate reporting of notes receivable.

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

The USDA Application For Federal Assistance SF-424 states "[r]ecords will include an accurate accounting of any principal repayments, interest, or other proceeds generated by the loan fund and will document expenses paid for with interest, or other proceeds generated by the loan and will be documented for the grant audits."

We recommend the fiscal court properly monitor the activities of the RBEG program, including maintaining all documentation of loan agreements. Additionally, we recommend the fiscal court comply with the requirements of the USDA Application For Federal Assistance SF-424 and ensure that all loans are properly made, documented, collected, and reported.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The previous administrator of The Revolving Loan Program has resigned and a new employee has been hired. He comes to us with 15 years of banking experience and is working in conjunction with myself and McCreary County Attorney to address issues.

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

Section II: Financial Statement Findings (Continued)

2024-005 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 2023-003. 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 it 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.

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

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: Since we are unable to address proper segregation of duties with additional people, we are providing ways to document additional oversight. A chart has been developed to document our work flow and additional personnel from other departments are reviewing and initialing transactions to provide additional documentation.

Section III: Federal Award Findings And Questioned Costs

None.

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

Section IV: Summary Schedule of Prior Audit Findings

Finding Number	Prior Year Finding Title	Status	Corrective Action
2023-001	The Payroll Revolving Account Was Not Properly Reconciled	Unresolved	See corrective action for current year finding 2024-001
2023-002	The Fiscal Court Did Not Have Proper Purchase And Procurement Procedures	Unresolved	See corrective action for current year finding 2024-002
2023-003	The Fiscal Court Did Not Segregate Duties Over Accounting Function	Partially Resolved	See corrective action for current year finding 2024-005
2023-004	The Fiscal Court's Internal Controls Over Payroll Were Not Operating Effectively	Partially Resolved	See corrective action for current year finding 2024-003

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

MCCREARY COUNTY FISCAL COURT

For The Year Ended June 30, 2024

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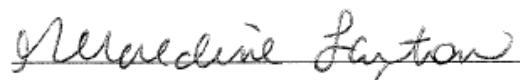
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
MCCREARY COUNTY FISCAL COURT

For The Year Ended June 30, 2024

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.



County Judge/Executive



County Treasurer