REPORT OF THE AUDIT OF THE MCCREARY COUNTY FISCAL COURT

For The Year Ended
June 30, 2025

ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS
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CONTENTS PAGE

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Independent Auditor's Report

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Jimmie 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, 2025, 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, 2025, in accordance with accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the McCreary County Fiscal Court, for the year ended June 30, 2025, or the changes in financial position and cash flows thereof for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, and the *Fiscal Court Audit Guide* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the McCreary County Fiscal Court and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 1 of the financial statement, the financial statement is prepared by the McCreary County Fiscal Court on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statement

McCreary County Fiscal Court's management is responsible for the preparation and fair presentation of the financial statement in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. This includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

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.

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

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

Other Information

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

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2026, 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:

2025-001	The McCreary County Fiscal Court Did Not Segregate Duties Over Accounting Functions
2025-002	The McCreary County Fiscal Court Reported Inaccurate Budget Figures On The Fourth Quarter Financial Statement
2025-003	The McCreary County Fiscal Court Did Not Have Adequate Internal Controls Over The Service Organization Providing Ambulance Service Billing And Collections
2025-004	The McCreary County Fiscal Court Lacks Internal Controls For Off-Site Collections
2025-005	The McCreary County Fiscal Court Lacks Adequate Segregation Of Duties Over Occupational Tax Collections And Net Profit Tax Collections
2025-006	The McCreary County Fiscal Court Did Not Perform Bank Reconciliations For Revolving Accounts
2025-007	The McCreary County Fiscal Court Did Not Have Proper Purchase And Procurement Procedures
2025-008	The McCreary County Fiscal Court's Internal Controls Over Payroll Were Not Operating Effectively
2025-009	The McCreary County Fiscal Court Did Not Have Adequate Internal Controls Over The Rural Business Enterprise Grants Revolving Loan Program

Respectfully submitted,

Allison Ball
Auditor of Public Accounts
Frankfort, Ky

April 22, 2026

MCCREARY COUNTY OFFICIALS

For The Year Ended June 30, 2025

Fiscal Court Members:

Jimmie W. Greene II	County Judge/Executive
William D. Hale, Jr.	Magistrate District 1
Bill Taylor	Magistrate District 2
Bobby Strunk	Magistrate District 3
Randy Maxwell	Magistrate District 4

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
Deborah Gilreath	Chief Financial Officer/HR
Joshua Stephens	Executive Assistant/Economic Director

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

For The Year Ended June 30, 2025

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

For The Year Ended June 30, 2025

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	$ 953,534	$	$
In Lieu Tax Payments	507,196	31,370	
Excess Fees	28,125		
Licenses and Permits	168,584		
Intergovernmental	870,135	2,098,549	90,363
Charges for Services	1,836,882		
Miscellaneous	2,596,538	159,819	28,005
Interest	77,852	953	197
Total Receipts	7,038,846	2,290,691	118,565
DISBURSEMENTS			
General Government	2,079,672		
Protection to Persons and Property	727,967		1,478,561
General Health and Sanitation	407,066		
Social Services			
Recreation and Culture	241,765		
Roads		1,674,046	
Airports	103,132		
Road Facilities		333,842	
Administration	2,275,420	338,850	70,314
Total Disbursements	5,835,022	2,346,738	1,548,875
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	1,203,824	(56,047)	(1,430,310)
Other Adjustments to Cash (Uses)			
Payroll Revolving Account	80,283		
Transfers From Other Funds	1,603,804		1,398,144
Transfers To Other Funds	(2,565,861)	(2,468)	
Total Other Adjustments to Cash (Uses)	(881,774)	(2,468)	1,398,144
Net Change in Fund Balance	322,050	(58,515)	(32,166)
Fund Balance - Beginning (Restated)	3,944,394	469,444	142,753
Fund Balance - Ending	$ 4,266,444	$ 410,929	$ 110,587
Composition of Fund Balance			
Bank Balance	$ 2,389,893	$ 531,639	$ 243,771
Less: Outstanding Checks	(203,732)	(120,710)	(133,184)
Certificates of Deposit	2,000,000		
Payroll Revolving Account Balance	80,283		
Fund Balance - Ending	$ 4,266,444	$ 410,929	$ 110,587

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, 2025
(Continued)

Budgeted Funds						
Local Government Economic Assistance Fund	EMS Fund	Occupational Tax Fund	Opioid Settlement Fund	Grant Fund	Revolving Loan Fund	Kentucky Product Development Initiative Fund
$	$	$ 2,534,130	$	$	$	$
3,309				32,001		410,466
	672,532					
	9,500		86,656		49,724	
51	226	155	343	15	222	
3,360	682,258	2,534,285	86,999	32,016	49,946	410,466
		119,055				410,466
	2,548,801			78,708		
			45,230			
41,267						
					5,009	
41,267	2,548,801	119,055	45,230	78,708	5,009	410,466
(37,907)	(1,866,543)	2,415,230	41,769	(46,692)	44,937	
2,468	1,918,349			44,000		
		(2,394,654)			(3,782)	
2,468	1,918,349	(2,394,654)		44,000	(3,782)	
(35,439)	51,806	20,576	41,769	(2,692)	41,155	
57,841	57,550	54,342	284,027	5,114	276,886	
$ 22,402	$ 109,356	$ 74,918	$ 325,796	$ 2,422	$ 318,041	$ 0
$ 23,402	$ 174,070	$ 76,030	$ 371,026	$ 2,422	$ 318,041	$
(1,000)	(64,714)	(1,112)	(45,230)			
$ 22,402	$ 109,356	$ 74,918	$ 325,796	$ 2,422	$ 318,041	$ 0

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

MCCREARY COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2025
(Continued)

	Budgeted Funds		
	County Clerk Permanent Storage Fund	OVC Project/ AML Fund	Total Funds
RECEIPTS			
Taxes	$	$	$ 3,487,664
In Lieu Tax Payments			538,566
Excess Fees			28,125
Licenses and Permits			168,584
Intergovernmental		256,865	3,761,688
Charges for Services			2,509,414
Miscellaneous	20,210		2,950,452
Interest	29		80,043
Total Receipts	20,239	256,865	13,524,536
DISBURSEMENTS			
General Government	15,000	256,865	2,881,058
Protection to Persons and Property			4,834,037
General Health and Sanitation			407,066
Social Services			45,230
Recreation and Culture			241,765
Roads			1,715,313
Airports			103,132
Road Facilities			333,842
Administration			2,689,593
Total Disbursements	15,000	256,865	13,251,036
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	5,239		273,500
Other Adjustments to Cash (Uses)			
Payroll Revolving Account			80,283
Transfers From Other Funds			4,966,765
Transfers To Other Funds			(4,966,765)
Total Other Adjustments to Cash (Uses)			80,283
Net Change in Fund Balance	5,239		353,783
Fund Balance - Beginning (Restated)	26,396		5,318,747
Fund Balance - Ending	$ 31,635	$ 0	$ 5,672,530
Composition of Fund Balance			
Bank Balance	$ 31,635	$	$ 4,161,929
Less: Outstanding Checks			(569,682)
Certificates of Deposit			2,000,000
Payroll Revolving Account Balance			80,283
Fund Balance - Ending	$ 31,635	$ 0	$ 5,672,530

INDEX FOR NOTES
TO THE FINANCIAL STATEMENT

MCCREARY COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2025

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

B. Basis of Accounting

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

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

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

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.

EMS 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 source of receipts for this fund is occupational employment tax and net profit tax.

Opioid Settlement Fund - The primary purpose of this fund is to account for revenue 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.

Kentucky Product Development Initiative Fund - The primary purpose of this fund is to account for funds received from the Kentucky Product Development Initiative (KPDI). 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 Project/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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information

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

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

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

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

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).

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

Note 1. Summary of Significant Accounting Policies (Continued)

G. Long-term Obligations

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

Note 2. Deposits

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of DLG's *County Budget Preparation and State Local Finance Officer Policy Manual*. As of June 30, 2025, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2025.

	General Fund	Road Fund	Occupational Tax Fund	Revolving Loan Fund	Total Transfers In
General Fund	$	$	$ 1,600,022	$ 3,782	$ 1,603,804
Jail Fund	603,513		794,631		1,398,144
LGEA Fund		2,468			2,468
EMS Fund	1,918,349				1,918,349
Grant Fund	44,000				44,000
Total Transfers Out	$ 2,565,862	$ 2,468	$ 2,394,653	$ 3,782	$ 4,966,765

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.

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

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 though 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 $393,459. The balance of both the SMART and RBEG receivables due as of June 30, 2025, is $297,552.

Note 5. Commitments – Lease Agreements and Subscription-Based Information Technology Arrangements (SBITA)

The McCreary County Fiscal Court was committed to the following lease agreements and SBITAs as of June 30, 2025:

A. Leases - Lessor

Description	Effective Date	Length of Term	Frequency of Payments	Ending Date	Amount of Payments	Balance June 30, 2025
Administrative Office of the CourtS (AOC) Drug Court	7/1/2024	24 Months	Quarterly	6/30/2026	$ 2,900	$ 11,600

B. Leases – Lessee

The McCreary County Fiscal Court was committed to the following lease agreements as lessee as of June 30, 2025:

Description	Effective Date	Length of Term	Frequency of Payments	Ending Date	Amount of Payments	Balance June 30, 2025
7 Copier Lease	8/30/2024	60 Months	Monthly	8/29/2029	$ 648	$ 31,762
6 Copier Lease	9/1/2029	60 Months	Monthly	9/1/2024	$ 527	$ 0
ABC Vehicle	1/31/2023	36 Months	Yearly	12/31/2025	$ 7,808	$ 0
Sheriff Vehicle - 2023 Durango	4/26/2023	24 Months	Monthly	4/25/2025	$ 1,199	$ 0
Copier - Occ Tax office	7/25/2023	60 Months	Monthly	7/24/2028	$ 164	$ 5,908
Copier - Co Attorney	9/17/2020	60 Months	Monthly	9/16/2025	$ 87	$ 175
EMS Vehicle - 2024 Durango	11/12/2024	36 Months	Yearly	11/11/2027	$ 12,446	$ 24,893

C. Subscription-Based Information Technology Arrangements (SBITA)

The McCreary County Fiscal Court was committed to the following SBITAs as of June 30, 2025:

Description	Effective Date	Length of Term	Frequency of Payments	Ending Date	Amount of Payments	Balance June 30, 2025
Verizon Vehicle Tracking Subscription	10/25/2021	36 Months	Monthly	10/24/2024	$ 91	$ 0
Verizon Vehicle Tracking Subscription	10/25/2021	36 Months	Monthly	10/24/2024	$ 91	$ 0
Verizon Vehicle Tracking Subscription	10/25/2021	36 Months	Monthly	10/24/2024	$ 91	$ 0
Verizon Vehicle Tracking Subscription	10/25/2021	36 Months	Monthly	10/24/2024	$ 91	$ 0

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

Note 6. Contingencies

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

Note 7. Employee Retirement System

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

The county's contribution for FY 2023 was $773,106, FY 2024 was $715,762, and FY 2025 was $684,378.

Nonhazardous

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

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

Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

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

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

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

Note 7. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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.

Note 7. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

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

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

E. Death Benefit

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

F. Annual Financial Report and Proportionate Share Audit Report

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

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

Note 8. Deferred Compensation

The McCreary County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax-sheltered supplemental retirement plans for all state, public school and university employees, and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permit all full-time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority at 501 High Street, 2nd Floor, Frankfort, KY 40601, or by telephone at (502) 573-7925.

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

Note 9. Health Reimbursement Account/Flexible Spending Account

The McCreary County Fiscal Court established a flexible spending account in 2010 to provide employees an additional 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.

Note 10. Insurance

For the fiscal year ended June 30, 2025, 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 11. Payroll Revolving Account

The revolving payroll account had an unreconciled balance of $80,283 as of June 30, 2025. This amount was added to the General Fund cash balance for financial reporting purposes.

Note 12. Prior Period Adjustments

Financial Statement beginning balances were restated as follows:

General Fund		
Fund Balance - Beginning	$	3,954,846
Adjustment - Remove Prior Year Payroll Ending Balance		(24,230)
Adjustment - Prior Year O/S Checks Voided		13,779
Immaterial Adjustment - Due to rounding		(1)
Fund Balance - Beginning (Restated)	$	3,944,394
Road Fund		
Fund Balance - Beginning	$	468,606
Adjustment - Prior Year O/S Checks Voided		838
Fund Balance - Beginning (Restated)	$	469,444
LGEA Fund		
Fund Balance - Beginning	$	57,840
Adjustment - Due To Rounding		1
Fund Balance - Beginning (Restated)	$	57,841
EMS Fund		
Fund Balance - Beginning	$	57,549
Adjustment - Due To Rounding		1
Fund Balance - Beginning (Restated)	$	57,550

MCCREARY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2025

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MCCREARY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2025

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	$ 817,900	$ 918,932	$ 953,534	$ 34,602
In Lieu Tax Payments	345,000	355,873	507,196	151,323
Excess Fees	12,750	26,965	28,125	1,160
Licenses and Permits	168,400	168,400	168,584	184
Intergovernmental	555,851	605,018	870,135	265,117
Charges for Services	19,000	25,605	1,836,882	1,811,277
Miscellaneous	452,100	601,247	2,596,538	1,995,291
Interest	120,000	120,000	77,852	(42,148)
Total Receipts	2,491,001	2,822,040	7,038,846	4,216,806
DISBURSEMENTS				
General Government	2,311,763	2,406,910	2,079,672	327,238
Protection to Persons and Property	731,597	842,876	727,967	114,909
General Health and Sanitation	446,381	509,967	407,066	102,901
Recreation and Culture	172,425	264,182	241,765	22,417
Airports	69,280	141,681	103,132	38,549
Administration	2,507,748	2,355,749	2,275,420	80,329
Total Disbursements	6,239,194	6,521,365	5,835,022	686,343
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(3,748,193)	(3,699,325)	1,203,824	4,903,149
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,245,300	1,245,300	1,603,804	358,504
Transfers To Other Funds	(1,180,368)	(1,180,368)	(2,565,861)	(1,385,493)
Total Other Adjustments to Cash (Uses)	64,932	64,932	(962,057)	(1,026,989)
Net Change in Fund Balance	(3,683,261)	(3,634,393)	241,767	3,876,160
Fund Balance - Beginning (Restated)	3,683,261	3,930,614	3,944,394	13,780
Fund Balance - Ending	$ 0	$ 296,221	$ 4,186,161	$ 3,889,940

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

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
In Lieu Tax Payments	$ 300,000	$ 300,000	$ 31,370	$ (268,630)
Intergovernmental	1,995,725	2,149,063	2,098,549	(50,514)
Miscellaneous	164,000	180,024	159,819	(20,205)
Interest	420	794	953	159
Total Receipts	2,460,145	2,629,881	2,290,691	(339,190)
DISBURSEMENTS				
Roads	1,636,915	2,015,541	1,674,046	341,495
Road Facilities	320,600	383,513	333,842	49,671
Administration	502,630	700,271	338,850	361,421
Total Disbursements	2,460,145	3,099,325	2,346,738	752,587
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(469,444)	(56,047)	413,397
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(2,468)	(2,468)
Total Other Adjustments to Cash (Uses)			(2,468)	(2,468)
Net Change in Fund Balance		(469,444)	(58,515)	410,929
Fund Balance - Beginning (Restated)		468,605	469,444	839
Fund Balance - Ending	$ 0	$ (839)	$ 410,929	$ 411,768

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

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	$ 127,000	$ 127,022	$ 90,363	$ (36,659)
Miscellaneous	37,300	38,576	28,005	(10,571)
Interest	125	125	197	72
Total Receipts	164,425	165,723	118,565	(47,158)
DISBURSEMENTS				
Protection to Persons and Property	1,392,520	1,595,120	1,478,561	116,559
Administration	59,895	71,346	70,314	1,032
Total Disbursements	1,452,415	1,666,466	1,548,875	117,591
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,287,990)	(1,500,743)	(1,430,310)	70,433
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,167,990	1,167,990	1,398,144	230,154
Total Other Adjustments to Cash (Uses)	1,167,990	1,167,990	1,398,144	230,154
Net Change in Fund Balance	(120,000)	(332,753)	(32,166)	300,587
Fund Balance - Beginning	120,000	142,753	142,753	
Fund Balance - Ending	$ 0	$ (190,000)	$ 110,587	$ 300,587

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

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	$ 5,000	$ 5,000	$ 3,309	$ (1,691)
Interest	50	50	51	1
Total Receipts	5,050	5,050	3,360	(1,690)
DISBURSEMENTS				
Roads	50,279	50,679	41,267	9,412
Administration		12,212		12,212
Total Disbursements	50,279	62,891	41,267	21,624
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(45,229)	(57,841)	(37,907)	19,934
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			2,468	2,468
Total Other Adjustments to Cash (Uses)			2,468	2,468
Net Change in Fund Balance	(45,229)	(57,841)	(35,439)	22,402
Fund Balance - Beginning (Restated)	45,229	57,841	57,841	
Fund Balance - Ending	$ 0	$ 0	$ 22,402	$ 22,402

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

	EMS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Charges for Services	$ 2,000,000	$ 2,000,000	$ 672,532	$ (1,327,468)
Miscellaneous		9,500	9,500	
Interest	50		226	226
Total Receipts	2,000,050	2,009,500	682,258	(1,327,242)
DISBURSEMENTS				
Protection to Persons and Property	2,675,078	2,774,078	2,548,801	225,277
Administration		4,119		4,119
Total Disbursements	2,675,078	2,778,197	2,548,801	229,396
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(675,028)	(768,697)	(1,866,543)	(1,097,846)
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	635,028	635,028	1,918,349	1,283,321
Total Other Adjustments to Cash (Uses)	635,028	635,028	1,918,349	1,283,321
Net Change in Fund Balance	(40,000)	(133,669)	51,806	185,475
Fund Balance - Beginning (Restated)	40,000	57,550	57,550	
Fund Balance - Ending	$ 0	$ (76,119)	$ 109,356	$ 185,475

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

OCCUPATIONAL TAX FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	$ 2,000,000	$ 2,000,000	$ 2,534,130	$ 534,130
Interest	180	180	155	(25)
Total Receipts	2,000,180	2,000,180	2,534,285	534,105
DISBURSEMENTS				
General Government	132,230	147,130	119,055	28,075
Administration		39,442		39,442
Total Disbursements	132,230	186,572	119,055	67,517
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	1,867,950	1,813,608	2,415,230	601,622
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(1,867,950)	(1,867,950)	(2,394,654)	(526,704)
Total Other Adjustments to Cash (Uses)	(1,867,950)	(1,867,950)	(2,394,654)	(526,704)
Net Change in Fund Balance		(54,342)	20,576	74,918
Fund Balance - Beginning		54,342	54,342	
Fund Balance - Ending	$ 0	$ 0	$ 74,918	$ 74,918

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

	OPIOID SETTLEMENT FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	$ 20,000	$ 61,593	$ 86,656	$ 25,063
Interest	10	166	343	177
Total Receipts	20,010	61,759	86,999	25,240
DISBURSEMENTS				
Social Services	159,188	200,937	45,230	155,707
Administration		144,849		144,849
Total Disbursements	159,188	345,786	45,230	300,556
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(139,178)	(284,027)	41,769	325,796
Net Change in Fund Balance	(139,178)	(284,027)	41,769	325,796
Fund Balance - Beginning	139,178	284,027	284,027	
Fund Balance - Ending	$ 0	$ 0	$ 325,796	$ 325,796

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

	GRANT FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	$ 10,000	$ 42,000	$ 32,001	$ (9,999)
Interest	30	30	15	(15)
Total Receipts	10,030	42,030	32,016	(10,014)
DISBURSEMENTS				
Protection to Persons and Property	35,141	111,141	78,708	32,433
Total Disbursements	35,141	111,141	78,708	32,433
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(25,111)	(69,111)	(46,692)	22,419
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			44,000	44,000
Total Other Adjustments to Cash (Uses)			44,000	44,000
Net Change in Fund Balance	(25,111)	(69,111)	(2,692)	66,419
Fund Balance - Beginning	25,111	25,111	5,114	(19,997)
Fund Balance - Ending	$ 0	$ (44,000)	$ 2,422	$ 46,422

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

	REVOLVING LOAN FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	$ 60,000	$ 60,000	$ 49,724	$ (10,276)
Interest	50	50	222	172
Total Receipts	60,050	60,050	49,946	(10,104)
DISBURSEMENTS				
Administration	330,550	336,936	5,009	331,927
Total Disbursements	330,550	336,936	5,009	331,927
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(270,500)	(276,886)	44,937	321,823
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(3,782)	(3,782)
Total Other Adjustments to Cash (Uses)			(3,782)	(3,782)
Net Change in Fund Balance	(270,500)	(276,886)	41,155	318,041
Fund Balance - Beginning	270,500	276,886	276,886	
Fund Balance - Ending	$ 0	$ 0	$ 318,041	$ 318,041

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

KENTUCKY PRODUCT DEVELOPMENT INITIATIVE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	$ 416,000	$ 416,000	$ 410,466	$ (5,534)
Total Receipts	416,000	416,000	410,466	(5,534)
DISBURSEMENTS				
General Government	416,000	416,000	410,466	5,534
Total Disbursements	416,000	416,000	410,466	5,534
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)				
Net Change in Fund Balance				
Fund Balance - Beginning				
Fund Balance - Ending	$ 0	$ 0	$ 0	$ 0

MCCREARY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2025
(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	$ 20,210	$ (790)
Interest	20	20	29	9
Total Receipts	21,020	21,020	20,239	(781)
DISBURSEMENTS				
General Government	44,020	44,020	15,000	29,020
Administration		3,396		3,396
Total Disbursements	44,020	47,416	15,000	32,416
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(23,000)	(26,396)	5,239	31,635
Net Change in Fund Balance	(23,000)	(26,396)	5,239	31,635
Fund Balance - Beginning	23,000	26,396	26,396	
Fund Balance - Ending	$ 0	$ 0	$ 31,635	$ 31,635

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

	OVC PROJECT/AML FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	$ 2,483,681	$ 2,483,681	$ 256,865	$ (2,226,816)
Total Receipts	2,483,681	2,483,681	256,865	(2,226,816)
DISBURSEMENTS				
General Government	2,483,681	2,483,681	256,865	2,226,816
Total Disbursements	2,483,681	2,483,681	256,865	2,226,816
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)				
Net Change in Fund Balance				
Fund Balance - Beginning				
Fund Balance - Ending	$ 0	$ 0	$ 0	$ 0

MCCREARY COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2025

Note 1. Budgetary Information

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

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

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

Note 2. Reconciliation of the General Fund

Other Adjustments to Cash (Uses) - Budgetary Basis	$ (962,057)
To adjust for Payroll Revolving Account	80,283
Total Other Adjustments to Cash (Uses) - Regulatory Basis	$ (881,774)
Fund Balance - Ending-Budgetary Basis	$ 4,186,161
To adjust for Payroll Revolving Account	80,283
Fund Balance Ending - Regulatory Basis	$ 4,266,444

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MCCREARY COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2025

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MCCREARY COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2025

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance (Restated*)	Additions	Deletions	Ending Balance
Land and Land Improvements	$ 2,096,783	$	$	$ 2,096,783
Buildings	9,229,568	20,000		9,249,568
Vehicles and Equipment *	2,046,864			2,046,864
Other Equipment *	2,260,126			2,260,126
Infrastructure *	14,253,045			14,253,045
Total Capital Assets	$ 29,886,386	$ 20,000	$ 0	$ 29,906,386

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

June 30, 2025

Note 1. Capital Assets

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

	Capitalization Threshold	Useful Life (Years)
Land and Land Improvements	$ 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

Note 2. Restatement of Capital Assets Beginning Balance

The beginning balances reported on the schedule of capital assets for vehicles and equipment, other equipment, and infrastructure have been restated. The county's records showed a beginning balance of $29,886,386; however, the ending balance for the prior year audit for fiscal year June 30, 2024, was $23,989,440. This was the result of the county not including the correct amount for vehicles and equipment, other equipment, and infrastructure on the prior year capital asset schedule.

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 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, 2025, 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 April 22, 2026.

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 material weaknesses 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 deficiencies described in the accompanying Schedule of Findings and Responses as items 2025-001, 2025-002, 2025-003, 2025-004, 2025-005, and 2025-007 to be material weaknesses.

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 2025-006, 2025-008, and 2025-009 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 2025-003, 2025-004, and 2025-007.

Views of Responsible Official 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

April 22, 2026

MCCREARY COUNTY
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended June 30, 2025

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MCCREARY COUNTY
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended June 30, 2025

2025-001 The McCreary County Fiscal Court Did Not Segregate Duties Over Accounting Functions

Condition and Context

This is a repeat finding and was included in the prior year audit report as finding 2024-005. 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. The finance officer prepares a list of bills for the fiscal court's approval, prepares all checks, and adjusts the appropriation ledger if necessary. 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 employees' benefit payments for health insurance and life insurance, and payments to the employee benefit bank account.

Cause

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

Effect

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.

Criteria

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

Recommendation

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 initialing the source documents.

Views of Responsible Official and Planned Corrective Action

County Judge/Executive's Response: The McCreary County Fiscal Court acknowledges the lack of full segregation of duties due to limited staffing resources. We have developed a plan to strengthen compensating internal controls to provide accountability within the existing staffing constraints. We now have a documented chain of custody for incoming mail, which includes date stamping and appropriate routing from pickup to delivery. All purchase orders are signed by the issuing Finance Officer, the Department Head, the Treasurer, and the Judge Executive. Disbursements and supporting documents are reviewed and then initialed by the Finance Officer, the County Treasurer, and the Judge Executive. Fiscal Court reviews the claims and expenditures providing an additional level of independent review. Monthly bank reconciliations are prepared and reviewed with supervisory initials. Payroll is reviewed and initialed by the finance officer, the treasurer, and the Judge Executive. Our financial software also provides audit trails and tracks transaction activity.

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

2025-001 The McCreary County Fiscal Court Did Not Segregate Duties Over Accounting Functions (Continued)

Views of Responsible Official and Planned Corrective Action (Continued)

County Judge/Executive's Response (Continued): We have introduced compensating controls in every instance possible with the employees we have. Nothing is paid without a minimum of three people involved.

2025-002 The McCreary County Fiscal Court Reported Inaccurate Budget Figures On The Fourth Quarter Financial Statement

Condition and Context

The McCreary County Fiscal Court reported budgeted receipts and appropriations on its fourth quarter financial statement that did not agree to the original budget and approved amendments. Specifically, the occupational tax fund budgeted receipts were overstated by $3,672,770 on the quarterly report. Additionally, the General and Jail Funds budgeted disbursements were overstated by $22,690 and $12,474, respectively.

Cause

The fiscal court did not have adequate controls to ensure that budgeted amounts were accurately reflected on the quarterly financial reports.

Effect

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

Criteria

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

Recommendations

The McCreary County Fiscal Court should implement a review procedure to ensure that quarterly financial statements accurately reflect the budget as adopted and amended by the fiscal court. All changes affecting budgeted amounts should be formally approved by budget amendment prior to being entered into the accounting system.

Views of Responsible Official and Planned Corrective Action

County Judge/Executive's Response: This finding resulted in our failure to record a budget change that was made upon recommendation from Department for Local Government within our computer software. This is attributed to human error and we will take action to ensure that all changes are recorded throughout the different documents.

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

2025-003 The McCreary County Fiscal Court Did Not Have Adequate Internal Controls Over The Service Organization Providing Ambulance Service Billing And Collections

Condition and Context

During fiscal year 2025, the McCreary County Fiscal Court utilized a service organization for ambulance service billing and collections. The service organization is responsible for billing ambulance service clients as well as the collections of receivables due to the county. The service organization will provide a statement to the county, which includes three different types of collections. These collections noted below are not reviewed or compared to what the county has collected and are included in its General and EMS Funds:

- Credit card collections the service organization deposits into the county's bank account.
- Listing of EFT's, which would typically include payments from insurance companies, Medicaid and Medicare.
- Listing of individual client checks for bills received for payment by the county's EMS.

The fiscal court reported collection of $2,473,214 in ambulance service fees for FY 2025. These collections were not properly monitored to ensure completeness or accuracy of what the third party paid to the fiscal court..

Cause

The fiscal court failed to implement controls over the service organization providing ambulance service billing and collections.

Effect

Inadequate internal controls over the service organization providing ambulance service billing could result in the county not collecting money it is owed. This could result in inaccurate reporting that could have a material effect on the financial statement.

Criteria

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

Recommendation

We recommend the fiscal court establish controls to properly monitor the service organization providing ambulance service billing and collections.

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

2025-003 The McCreary County Fiscal Court Did Not Have Adequate Internal Controls Over The Service Organization Providing Ambulance Service Billing And Collections (Continued)

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: McCreary County Fiscal Court utilizes a third-party billing company for billing and collections for the county ambulance service. This finding resulted from a lack of documented procedures to verify the amounts collected and reported from the billing company were accurately deposited into the bank account of the Fiscal Court. The ambulance service has a paramedic who oversees billing on her end, but we do not have the appropriate records to accompany the bank reconciliation. To strengthen internal control required on this process, the treasurer is now performing a weekly reconciliation comparing the deposits to the collections report to ensure that all balance equally. She is retaining the paperwork to document this activity. The reconciliation will be reviewed and initialed by the finance officer as well to provide an additional level of oversight.

2025-004 The McCreary County Fiscal Court Lacks Internal Controls For Off-site Collections

Condition and Context

The McCreary County Fiscal Court lacks internal controls for off-site collections. The fiscal court collects fees off-site for rentals of campgrounds and park buildings as well as ambulance services. After these funds are collected off-site, they are brought to the county judge/executive's office to be deposited. During testing of these off-site collections, the following deficiencies were noted:

- Cash received in the amount of $2,167 for ambulance services could not be traced to a bank deposit and could not be accounted for.
- Supporting documentation for collections at the ambulance service is not being provided to the county treasurer.
- The county does not issue receipts for the collections at Sandhill Park and these collections are not being deposited timely. Only three deposits were made during one month of collections tested.
- Receipts issued for collections at the senior citizens center are not prenumbered and are not being deposited timely. Only three deposits were made during one month of receipts tested.

Cause

The fiscal court and management failed to implement effective internal controls, review procedures, and oversight for offsite collections, especially as it relates to cash receipts.

Effect

Poor internal controls could result in misappropriation of assets.

Criteria

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

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

2025-004 The McCreary County Fiscal Court Lacks Internal Controls For Off-site Collections (Continued)

Criteria (Continued)

KRS 64.840(2) states, "[o]ne (1) copy of the receipt shall be given to the person paying the fine, forfeiture, tax, or fee and one (1) copy shall be retained by the official for his own records. One (1) copy of the receipt shall be retained by the official to be placed with the daily bank deposit."

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. The Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual* establishes several procedures to institute a strong internal controls for receiving cash or in-person payments, including issuing pre-numbered three-part receipts for all cash or in-person payments and daily deposits intact into a federal insured banking institution.

Recommendation

We recommend the fiscal court implement a proper system of internal controls over off-site collections. We further recommend prenumbered receipts be issued for all off-site collections and documentation of those receipts should be provided to management for proper reconciliation. In addition, off-site collections should be deposited daily. This finding will be referred to the Kentucky Office of the Attorney General for review.

Views of Responsible Official and Planned Corrective Action

County Judge/Executive's Response: The McCreary County Fiscal Court has identified and acknowledges the weakness in internal control over off-site collections including inconsistent use of receipts, lack of standardized tracking procedures, and delays in depositing funds for off-site collections. We can find no evidence of theft but can agree there are ways to provide rigorous accountability. When there is no system, even honest people cannot prove what happened. Therefore, to strengthen our internal controls, McCreary County Fiscal Court has eliminated the acceptance of cash for off-site collections effective immediately. All payments must not be made by check, money order, or approved electronic payment methods. When evaluating our off-site camping collections where collection is done from campsite to campsite, there are very limited ways to account for cash collection without passing on high costs to taxpayers. The Fiscal Court immediately started working on the capability to accept debit and credit card payments in lieu of cash to improve transaction traceability, and the technology is already up and running. This corrective action of eliminating cash will significantly reduce the risk associated with off-site cash collections and will improve accountability, transparency, and the safeguarding of public funds without passing the cost to taxpayers.

2025-005 The McCreary County Fiscal Court Lacks Adequate Segregation Of Duties Over Occupational Tax Collections And Net Profit Tax Collections

Condition and Context

The McCreary County Fiscal Court collects occupational taxes and net profit tax collections as established per local ordinance. Occupational tax payments are collected in person at the occupational tax office or via mail. The occupational tax administrator and deputy are both responsible for collection of payments, processing payments, and deposit preparation. There is no documented secondary review of these collections.

Cause

A limited budget places restrictions on the number of employees the fiscal court can hire to process payments.

2025-005 The McCreary County Fiscal Court Lacks Adequate Segregation Of Duties Over Occupational Tax Collections And Net Profit Tax Collections (Continued)

Effect

Without adequate segregation of duties in place over receipt processing, assets could be misappropriated, or errors could occur without detection.

Criteria

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

Recommendation

We recommend the fiscal court strengthen internal controls by segregating duties over occupational tax and net profit tax collections. If segregation is not possible, strong oversight should be implemented. We also recommend the receipts listing be compared to the daily deposit by an individual not involved in the receipt collection process. The employee providing this oversight should document his or her review by initialing all source documentation.

Views of Responsible Official and Planned Corrective Action

County Judge/Executive's Response: McCreary Fiscal Court acknowledges that adequate segregation of duties over occupational tax and net profit tax collections was not in place due to limited staffing. Certain procedures relating to the receipt, recording, and reconciliation of tax collections are often performed by the same individual. Immediately upon feedback from the auditors, a secondary review process was established where the County Treasurer reviews the reports for occupational and net profit tax collections. Any monthly reports detailing the collections, deposits, and posting are reviewed and compared to supporting documentation, including bank deposit records. The county treasurer will document this review by initialing and dating the documents and retaining for auditing purposes.

2025-006 The McCreary County Fiscal Court Did Not Perform Bank Reconciliations For Revolving Accounts

Condition and Context

This is a repeat finding and was included in the prior year audit report as finding 2024-001. The McCreary County Fiscal Court did not prepare bank reconciliations for the revolving accounts, which included a payroll account for employee deductions for federal, social security, state taxes, and retirement and an FSA/HRA account to pay for employee's medical expenses. The fiscal court's revolving accounts are designed to be used as clearing bank accounts for payroll processing and should reconcile to zero every month. Since bank reconciliations were not provided, the accuracy of the cash balance of these accounts as June 30, 2025, could not be verified. The following issues were noted:

- The payroll account had an unreconciled balance as of June 30, 2025, of $80,283. The auditor discovered that the county had unpaid liabilities at year end, so a reconciled balance could not be determined.

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

2025-006 The McCreary County Fiscal Court Did Not Perform Bank Reconciliations For Revolving Accounts (Continued)

Condition and Context (Continued)

- The payroll account was overdrawn twice during fiscal year ending June 30, 2025.
- The HRA/FSA account had an unreconciled balance as of June 30, 2025, of $9,511. The auditor discovered that the county had unpaid liabilities at year end, so a reconciled balance could not be determined.
- The HRA/FSA account was overdrawn twelve times during fiscal year ending June 30, 2025.

Cause

The fiscal court did not establish relevant review procedures to determine if the finance officer was preparing bank reconciliations monthly for the revolving accounts.

Effect

The county has surplus funds in these revolving accounts that could be used for other purposes. Also, by not completing a correct reconciliation that accounts for all outstanding receivables and outstanding liabilities, the county had deficit balances in these accounts multiple times throughout the year as noted above.

Criteria

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. The uniform system of accounts is set forth in the DLG's *County Budget Preparation and State Local Finance Officer Policy Manual.* The manual requires officials handling public funds to prepare monthly bank reconciliations.

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 lack of oversight over financial reporting is a basic internal control necessary to ensure the accuracy and reliability of financial reports. Strong internal controls over the bank reconciliations for revolving accounts should be implemented to ensure the reconciled balance each month of the payroll and HRA/FSA revolving accounts reconcile to zero.

Recommendation

We recommend the fiscal court establish procedures to prepare and review bank reconciliations for the payroll and HRA/FSA revolving accounts. Also, oversight procedures to review the bank reconciliations and financial reports prepared by the finance officer should be implemented. The review should be conducted by an independent employee to verify the accuracy and completeness.

Views of Responsible Official and Planned Corrective Action

County Judge/Executive's Response: The McCreary Fiscal Court acknowledges the bank reconciliations were not consistently performed for all revolving accounts. Our finance officer was relatively new at that time, and interpreted the prior audit finding to mean the balance on hand must explain how the balance as accumulated (i.e., from withholdings liabilities, etc.)

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

2025-006 The McCreary County Fiscal Court Did Not Perform Bank Reconciliations For Revolving Accounts (Continued)

Views of Responsible Official and Planned Corrective Action (Continued)

County Judge/Executive's Response (Continued): To strengthen our internal controls over cash management, the finance officer will reconcile the revolving accounts to bank statements monthly and provide the reconciliation ledger to the auditors. Each reconciliation will include a comparison of the bank statement balance to the general ledger balance. The reconciliations will be prepared in a timely manner upon receipt of bank statements and reviewed and initialed by another individual in the judge's office to provide an additional level of oversight.

2025-007 The McCreary County Fiscal Court Did Not Have Proper Purchase And Procurement Procedures

Condition and Context

This is a repeat finding and was included in the prior year audit report as finding 2024-002. The fiscal court did not have proper purchase and procurement procedures and the following deficiencies and non-compliances were noted:

- Two invoices totaling $60,190 had checks issued before the invoice date.
- Five invoices totaling $300,594 were paid more than 30 days after the date of the invoice.
- Six invoices totaling $259,465 had purchase orders prepared after the invoice date.
- Two invoices totaling $410,466 did not have a purchase order issued.
- Eight invoices totaling $1,827 were paid after the due date noted on the invoice.
- One invoice in the amount of $326 had a purchase order prepared after the check was issued.
- Two invoices could not be located. These invoices totaled $41,305.
- Three invoices totaling $398,632 for asphalt were not detailed enough to match to corresponding haul tickets.
- Bid requirement testing resulted in the following:
    - One disbursement in the amount of $44,000 was not advertised for bids.
    - One disbursement of $45,000 was not advertised for bids.
    - One disbursement did not have invoices that were detailed enough to determine whether the price paid agrees to the bid accepted.
    - Two disbursements involved trade-ins, but the administrative code did not allow trade-in as a means of disposal for surplus equipment.
    - One disbursement of $26,807 did not agree to the accepted bid price.
    - One disbursement was for an item purchased through the state agency price contract, but three quotes were not obtained as required.
- Credit card transaction testing resulted in the following:
    - Three transactions totaling $377 did not have a purchase order.
    - One transaction of $165 was missing a supporting invoice.
    - Late fees and interest of $819 were incurred during FY 25.

Cause

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

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

2025-007 The McCreary County Fiscal Court Did Not Have Proper Purchase And Procurement Procedures (Continued)

Effect

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

Criteria

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

Section 9.1 of the McCreary County Administrative Code states, "[a]ll 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."

Section 9.9(a)(1) of the McCreary County Administrative Code states, "[t]he [surplus] property may be transferred via the following method: (a) Transferred, with or without compensation, to another government agency; (b) Sold at public auction following publication of the auction in accordance with KRS 424.130(1)(b); (c) Sold by electronic auction following publication of the auction, including the uniform resource link(URL) for the site of the electronic auction, in accordance with KRS 424.130(1)(b); (d) Sold by sealed bids; or (e) Disposed of through and approved recycling/reuse facility."

KRS 65.140(2), states, in part, "all bills for goods or services shall be paid within thirty (30) working days of receipts of a vendor's invoice[.]"

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

Additionally, the state Finance and Administration Cabinet Master Agreement contract the county used in the purchase states, "[i]t will be the responsibility of the agencies utilizing this Master Agreement to obtain quotes from a minimum of three (3) awarded dealers."

Segregation of duties, or the implementation of compensating controls, is a basic internal control necessary to ensure the accuracy and reliability of financial reports. Proper management oversight regarding purchases is also fundamental in protecting the integrity of financial statement.

2025-007 The McCreary County Fiscal Court Did Not Have Proper Purchase And Procurement Procedures (Continued)

Recommendation

We recommend the fiscal court take the steps necessary to ensure they are following the state local finance officer requirements, Kentucky statutes and the county administrative code regarding disbursements. We further recommend all purchase orders be issued and completed properly. Additionally, we recommend the fiscal court put controls in place to ensure proper bidding procedures are followed.

Views of Responsible Official and Planned Corrective Action

County Judge/Executive's Response: The McCreary County Fiscal Court has identified the conditions in which proper purchase order and procurement procedures were identified as weak. A purchase order review process has been implemented in which utilities and other common purchases are issued a purchase order promptly on the first business day of each month regardless of which day of the month the bill arrives. For emergency purchases, the Fiscal Court will ensure that a formal emergency declaration is documented, including the justification for the emergency and approval by appropriate authority, in accordance with applicable statues. All procurement will follow appliable bidding requirements. Further, the Fiscal Court has amended its ordinance to allow for trade-in of leased vehicles, ensuring that future transactions are conducted in accordance with approved policy.

2025-008 The McCreary County Fiscal Court's Internal Controls Over Payroll Were Not Operating Effectively

Condition and Context

This is a repeat finding and was included in the prior year report as finding 2024-003. The McCreary County Fiscal Court's internal controls over payroll processes were not operating effectively as indicating by the following deficiencies noted during testing:

- One timesheet calculated overtime based on 80 hours over a pay period instead of per 40-hour work week.
- One timesheet showed half an hour more time worked than total hours paid.
- One timesheet showed compensatory time used, but nothing was deducted from the employee's compensatory time balance.
- Three timesheets did not properly accrue compensatory time.
- Two timesheets were for salaried employees whose pay did not match with the salary schedule approved by fiscal court.

Cause

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

Effect

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

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

2025-008 The McCreary County Fiscal Court's Internal Controls Over Payroll Were Not Operating Effectively (Continued)

Criteria

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

KRS 337.285(1) states, "[n]o employer shall employ any of his or her employees for a work week longer than forty (40) hours, unless such employee receives compensation for his or her employment in excess of forty (40) hours in a work week at a rate of not less than one and one-half (1-1/2) times the hourly wage rate at which he or she is employed."

Recommendation

We recommend the fiscal court put a control system in place to monitor compensatory time and ensure timesheets are properly calculated.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The McCreary County Fiscal Court acknowledges that isolated errors were identified in payroll processing found from rounding, recording of compensatory time, and overtime not paid to the finance officer on one time sheet examined. While these errors were not systemic, they indicate that existing review controls were not consistently applied. To strengthen internal controls over payroll processing, the Finance Officer and Treasurer will review all payroll records, including timesheets and compensatory time balances, to ensure accuracy. Documentation of payroll review will be maintained, including initials and dates, to provide evidence of oversight.

2025-009 The McCreary County Fiscal Court Did Not Have Adequate Internal Controls Over The Rural Business Enterprise Grants Revolving Loan Program

Condition and Context

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 2025. The following issues were noted for fiscal year 2025:

- 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.
- One loan recipient is being charged an incorrect rate of interest.

Cause

The fiscal court failed to implement controls over the revolving loan program.

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

2025-009 The McCreary County Fiscal Court Did Not Have Adequate Internal Controls Over The Rural Business Enterprise Grants Revolving Loan Program (Continued)

Effect

Inadequate internal controls over the revolving loan 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.

Criteria

KRS 46.010(2) requires, "each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements." KRS 46.010(3) requires, "all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires." Sufficient monitoring of the revolving loan 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."

Recommendation

We recommend the fiscal court properly monitor the activities of the revolving loan 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 McCreary County Fiscal Court acknowledges that internal controls over the Rural Business Enterprise Grant revolving loan programs had a period of time with limited documentation and oversight of loan activity due to negligence on the part of the former Deputy Judge Executive/Economic Development Director whose responsibility was to oversee the program. Upon his resignation, a replacement was carefully sought, and the current Director of this loan program has implemented procedures for a centralized loan tracking system which details records of loan issues, payment schedules, outstanding balances, and repayment activity. Loans are supported with written agreements which include terms, repayment schedules, and authorization documentation. Periodic reviews have been established which monitors loan status and supporting documentation and records are maintained for auditing purposes and are overseen by the County Treasurer as well.

CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

MCCREARY COUNTY FISCAL COURT

For The Year Ended June 30, 2025

Appendix A

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CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE

MCCREARY COUNTY FISCAL COURT

For The Year Ended June 30, 2025

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.

Jimmie W. Greene II

County Judge/Executive

Geraldine Layton

County Treasurer