

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

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



**ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS
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ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

Independent Auditor's Report

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Troy Kok, Meade County Judge/Executive
Members of the Meade 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 Meade County Fiscal Court, for the year ended June 30, 2024, and the related notes to the financial statement, which collectively comprise the Meade 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 Meade County Fiscal Court, for the year ended June 30, 2024, in accordance with accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Basis for Opinions

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



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

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

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

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

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

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2025, on our consideration of the Meade 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 Meade County Fiscal Court's internal control over financial reporting and compliance.

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

- 2024-001 The Meade County Fiscal Court Lacks Adequate Controls Over The Payroll Process
- 2024-002 The Meade County Fiscal Court Failed To Properly Budget Funds For Fiscal Year 2024
- 2024-003 The Meade County Fiscal Court Did Not Accurately Account For Debt On The Fourth Quarter Financial Statement
- 2024-004 The Meade County Fiscal Court Did Not Maintain Proper Documentation For State Price Contract Purchases Or Follow Proper Procedures For Obtaining Bids
- 2024-005 The Meade County Jailer Failed To Obtain Fiscal Court Approval Prior To Entering Into Contracts And Spent County Funds Without Fiscal Court Approval In Accordance With KRS 68.020 And KRS 441.225
- 2024-006 The Meade County Jail Did Not Have Adequate Controls Over Jail Commissary Fuel Purchases

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

June 12, 2025

MEADE COUNTY OFFICIALS
For The Year Ended June 30, 2024

Fiscal Court Members:

Troy D. Kok	County Judge/Executive
Trey Webb	Magistrate
Thomas Goddard	Magistrate
Donald Eli Dix, Jr.	Magistrate
Billy Sipes	Magistrate
Gary Chapman	Magistrate
Steve Waldrip	Magistrate

Other Elected Officials:

Sidney Durham	County Attorney
J. J. Scarborough	Jailer
Susan Masterson	County Clerk
Ellen Lindsey	Circuit Court Clerk
Phillip Wimpee	Sheriff
Gabe Chapman	Property Valuation Administrator
William R "Billy" Adams III	Coroner

Appointed Personnel:

Tammy Graham	County Treasurer
Vicki Spink	Finance Officer
Mandy Sturgeon	Payroll Officer

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

For The Year Ended June 30, 2024

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

For The Year Ended June 30, 2024

	Budgeted Funds			
	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund
RECEIPTS				
Taxes	\$ 7,177,528	\$	\$	\$
In Lieu Tax Payments	325,000	52,590		
Excess Fees	162,638			
Licenses and Permits	1,067,206			
Intergovernmental	3,608,819	2,042,935	1,175,694	636,599
Charges for Services	1,819,506	14,184	69,500	245,673
Miscellaneous	338,757	5,528	129,760	
Interest	237,213	2,550	6,079	709
Total Receipts	<u>14,736,667</u>	<u>2,117,787</u>	<u>1,381,033</u>	<u>882,981</u>
DISBURSEMENTS				
General Government	2,272,345			
Protection to Persons and Property	2,585,004		1,780,342	937,367
General Health and Sanitation	198,190			
Social Services	5,760			
Recreation and Culture	797,370			
Transportation Facility and Services		442		
Roads		1,961,700		
Debt Service	182,614			85,251
Capital Projects	3,000,000			
Administration	3,032,816	401,571	735,350	355,585
Total Disbursements	<u>12,074,099</u>	<u>2,363,713</u>	<u>2,515,692</u>	<u>1,378,203</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>2,662,568</u>	<u>(245,926)</u>	<u>(1,134,659)</u>	<u>(495,222)</u>
Other Adjustments to Cash (Uses)				
Borrowed Money	266,751			
Payroll Revolving Account	24,222			
Transfers From Other Funds		300,000	1,377,120	500,000
Transfers To Other Funds	(2,773,547)			
Total Other Adjustments to Cash (Uses)	<u>(2,482,574)</u>	<u>300,000</u>	<u>1,377,120</u>	<u>500,000</u>
Net Change in Fund Balance	179,994	54,074	242,461	4,778
Fund Balance - Beginning (Restated)	<u>11,534,788</u>	<u>439,154</u>	<u>149,915</u>	<u>306,534</u>
Fund Balance - Ending	<u>\$ 11,714,782</u>	<u>\$ 493,228</u>	<u>\$ 392,376</u>	<u>\$ 311,312</u>
Composition of Fund Balance				
Bank Balance	\$ 7,203,162	\$ 821,181	\$ 394,067	\$ 323,632
Plus: Deposits In Transit	418,450			
Less: Outstanding Checks	(73,199)	(327,953)	(1,691)	(12,320)
Payroll Revolving Account Reconciled Balance	24,222			
Certificates of Deposit	4,142,147			
Fund Balance - Ending	<u>\$ 11,714,782</u>	<u>\$ 493,228</u>	<u>\$ 392,376</u>	<u>\$ 311,312</u>

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

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

<u>Budgeted Funds</u>			<u>Unbudgeted Funds</u>		
<u>Federal Grants Fund</u>	<u>Solid Waste Fund</u>	<u>Special Fund</u>	<u>Opioid Fund</u>	<u>Jail Commissary Fund</u>	<u>Total Funds</u>
\$	\$	\$	\$	\$	\$ 7,177,528
					377,590
					162,638
					1,067,206
50,000	1,644,337				9,158,384
	413,550				2,562,413
	797,300	52,110		293,705	1,617,160
52,558	1,696		766		301,571
102,558	2,856,883	52,110	766	293,705	22,424,490
1,275		38,383			2,312,003
71,998					5,374,711
7,290	2,667,068				2,872,548
			10,000		15,760
				363,894	1,161,264
					442
					1,961,700
	57,117				324,982
					3,000,000
	341,328				4,866,650
80,563	3,065,513	38,383	10,000	363,894	21,890,060
21,995	(208,630)	13,727	(9,234)	(70,189)	534,430
					266,751
					24,222
	300,000		296,427		2,773,547
					(2,773,547)
	300,000		296,427		290,973
21,995	91,370	13,727	287,193	(70,189)	825,403
2,094,171	506,464	40,566		119,210	15,190,802
\$ 2,116,166	\$ 597,834	\$ 54,293	\$ 287,193	\$ 49,021	\$ 16,016,205
\$ 2,120,256	\$ 1,240,091	\$ 54,293	\$ 287,193	\$ 59,570	\$ 12,503,445
	90,989				509,439
(4,090)	(733,246)			(10,549)	(1,163,048)
					24,222
					4,142,147
\$ 2,116,166	\$ 597,834	\$ 54,293	\$ 287,193	\$ 49,021	\$ 16,016,205

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

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TO THE FINANCIAL STATEMENT**

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**MEADE COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2024

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Basis of Accounting

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

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

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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

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

Solid Waste Fund - The primary purpose of this fund is to account for receipts and disbursements related to collection of solid waste and recycling services in Meade County.

Special Fund - The primary purpose of this fund is to account for storage fees received by the county clerk and disbursed to the county treasurer, to be held for the county clerk's use and the county to disburse on the clerk's behalf.

Unbudgeted Funds

Opioid Fund - The primary purpose of this fund is to account for the receipts and disbursements of the opioid court settlement.

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

D. Budgetary Information

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

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

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

The state local finance officer does not require the Jail Commissary Fund to be budgeted because the fiscal court does not approve the expenses of this fund.

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

Note 1. Summary of Significant Accounting Policies (Continued)

E. Meade County Elected Officials

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

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

F. Deposits and Investments

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

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

G. Long-term Obligations

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

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.

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

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

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

Note 3. Transfers

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

	General Fund	Total Transfers In
Road Fund	\$ 300,000	\$ 300,000
Jail Fund	1,377,120	1,377,120
LGEA Fund	500,000	500,000
Solid Waste Fund	300,000	300,000
Opioid Fund	296,427	296,427
Total Transfers Out	<u>\$ 2,773,547</u>	<u>\$ 2,773,547</u>

Reason for transfers:

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

Note 4. Custodial Funds

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

The fiscal court has the following custodial fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2024, was \$854.

Note 5. Leases

A. Lessor

1. During fiscal year 2023, the Meade County Fiscal Court began leasing an office building to Baptist Health Medical Group, Inc. The lease is for ten years, and the Meade County Fiscal Court will receive monthly payments of \$10,546. The Meade County Fiscal Court recognized \$126,555 in lease revenue during the current fiscal year related to this lease. As of June 30, 2024, the Meade County Fiscal Court's receivable for lease payments was \$1,044,079.

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

Note 5. Leases (Continued)

A. Lessor (Continued)

2. During fiscal year 2020, the Meade County Fiscal Court began leasing a tract of land to Kentucky RSA#3 Cellular General Partnership. The Meade County Fiscal Court will receive an annual payment of \$4,800. The Meade County Fiscal Court recognized \$4,800 in lease revenue during the current fiscal year related to this lease.
3. During the current fiscal year, the Meade County Fiscal Court began leasing the boys' and girls' fields and locker rooms at the park to Meade County Board of Education. The lease is for five years, and the Meade County Fiscal Court will receive yearly payments of \$13,635. The Meade County Fiscal Court recognized \$13,635 in lease revenue during the current fiscal year related to this lease. As of June 30, 2024, the Meade County Fiscal Court's receivable for lease payments was \$54,540.

B. Lessee

1. During fiscal year 2017, the Meade County Fiscal Court entered into a five-year lease agreement, renewable for three successive five-year terms, as lessee for the use of office space at Muldraugh City Hall. As of June 30, 2024, the value of the lease liability was \$72,000. The Meade County Fiscal Court is required to make monthly principal payments of \$500. The future principal and interest lease payments as of June 30, 2024, were as follows:

Fiscal Year Ended June 30	Amount
2025	\$ 6,000
2026	6,000
2027	6,000
2028	6,000
2029	6,000
2030-2034	30,000
2035-2036	12,000
Total Minimum Lease Payments	<u>\$ 72,000</u>

2. During the current fiscal year, the Meade County Fiscal Court entered into a five-year lease agreement for the use of copiers located at the Jail. As of June 30, 2024, the value of the lease liability was \$19,636. The Meade County Fiscal Court is required to make monthly principal payments of \$393. The future principal and interest lease payments as of June 30, 2024, were as follows:

Fiscal Year Ended June 30	Amount
2025	\$ 3,927
2026	3,927
2027	3,927
2028	3,927
2029	3,928
Total Minimum Lease Payments	<u>\$ 19,636</u>

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

Note 5. Leases (Continued)

B. Lessee (Continued)

3. On April 26, 2023, Meade County Fiscal Court entered into a lease agreement with Administrative Office of the Courts (AOC) for occupancy of office space in the Meade County courthouse. The lease was for one fiscal year and Meade County would receive quarterly payments. Meade County recognized \$174,295 in lease revenue during the current fiscal year related to this lease. As of June 30, 2024, the Meade County Fiscal Court's receivable for lease payments was \$0.

Note 6. Long-term Debt

A. Direct Borrowings and Direct Placements

1. Financing Obligation - Monitors

On July 5, 2022, the fiscal court entered into a lease agreement with ZOLL Medical Corporation in the amount of \$21,814 to be paid quarterly. The financing obligation was used to purchase monitors. The agreement is secured by the equipment purchased. In the event of default, the county is to make all, or any part of, the amount owed by the terms of the loan immediately due and pay all expenses of collection. The maturity date of the obligation is July 5, 2032. The ending balance for the financing obligation as of June 30, 2024, is \$698,064. The future principal and interest lease payments as of June 30, 2024, were as follows:

Fiscal Year Ending June 30	Principal
2025	\$ 87,258
2026	87,258
2027	87,258
2028	87,258
2029	87,258
2030-2032	<u>261,774</u>
Totals	<u>\$ 698,064</u>

2. Financing Obligation – EMS Equipment

On March 28, 2024, the fiscal court entered into a lease agreement with Flex Financial in the amount of \$95,356 to be paid annually. The financing obligation was used to purchase EMS equipment. The agreement is secured by the equipment purchased. In the event of default, the county is to make all, or any part of, the amount owed by the terms of the loan immediately due and pay all expenses of collection. The maturity date of the obligation is September 5, 2026. The ending balance for the financing obligation as of June 30, 2024, is \$172,863. The future principal and interest lease payments as of June 30, 2024, were as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2025	\$ 83,586	\$ 11,770
2026	<u>89,277</u>	<u>6,079</u>
Totals	<u>\$ 172,863</u>	<u>\$ 17,849</u>

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

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

3. Financing Obligation – Consoles

On July 28, 2022, the fiscal court entered into a lease agreement with Motorola Solutions, Inc in the amount of \$503,698 at a 4.340% fixed interest rate. The financing obligation was used to purchase consoles. The agreement is secured by the equipment purchased. In the event of default, the county is to make all, or any part of, the amount owed by the terms of the loan immediately due and pay all expenses of collection. The maturity date of the obligation is July 1, 2029. The ending balance for the financing obligation as of June 30, 2024, is \$375,010. The future principal and interest lease payments as of June 30, 2024, were as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2025	\$ 68,648	\$ 16,603
2026	71,688	13,564
2027	74,861	10,390
2028	78,176	7,076
2029	81,637	3,614
Totals	<u>\$ 375,010</u>	<u>\$ 51,247</u>

4. Financing Obligation – Backhoe Loader

On September 20, 2022, the fiscal court entered into a lease agreement with Caterpillar Financial Services, Inc in the amount of \$103,692 at a 6.38% fixed interest rate. The financial obligation was used to purchase a backhoe loader. The agreement is secured by the equipment purchased. The maturity date of the obligation is September 20, 2024. This agreement was paid off during FY 2024.

B. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2024, was as follows:

	(Restated *) Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements *	<u>\$ 1,279,760</u>	<u>\$ 266,751</u>	<u>\$ 300,574</u>	<u>\$ 1,245,937</u>	<u>\$ 239,492</u>
Total Long-term Debt	<u>\$ 1,279,760</u>	<u>\$ 266,751</u>	<u>\$ 300,574</u>	<u>\$ 1,245,937</u>	<u>\$ 239,492</u>

* The beginning balance was restated by \$53,691 due to debt not being included in the prior year audit.

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

Note 6. Long-term Debt (Continued)

C. Aggregate Debt Schedule

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

Fiscal Year Ended June 30	Direct Borrowings and Direct Placements	
	Principal	Interest
2025	\$ 239,492	\$ 28,373
2026	248,223	19,643
2027	162,119	10,390
2028	165,434	7,076
2029	168,895	3,614
2030-2032	261,774	
Totals	<u>\$ 1,245,937</u>	<u>\$ 69,096</u>

Note 7. Commitments and Contingencies

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

Note 8. Employee Retirement System

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

The county's contribution for FY 2022 was \$1,605,769, FY 2023 was \$1,665,261, and FY 2024 was \$1,700,150.

Nonhazardous

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

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

Note 8. Employee Retirement System (Continued)

Nonhazardous (Continued)

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

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

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

Hazardous

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

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

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

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

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

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

Note 8. 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.

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

Benefits are covered under KRS 78.5536.

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

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

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.

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

Note 8. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

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

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

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

D. Cost of Living Adjustments - Tier 1

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

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

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

F. Death Benefit

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

G. 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.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.

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

Note 9. Deferred Compensation

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

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

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

Note 10. Insurance

For the fiscal year ended June 30, 2024, the Meade 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. Related Party Transaction

The Meade County Fiscal Court purchased a club golf cart in the amount of \$2,500 from a magistrate's sister during FY 2024.

Note 12. Payroll Revolving Account

The reconciled balance of the payroll revolving account, \$24,222, as of June 30, 2024, was added to the General Fund cash balance for financial reporting purposes.

Note 13. Conduit Debt

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

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

Note 14. Tax Abatement

On December 19, 2019, the county adopted a bond inducement resolution, providing for, among other things, the issuance of taxable industrial building revenue bonds in an aggregate principal amount of up to \$2,500,000,000, in one or more series, for the benefit of Nucor Corporation, pursuant to KRS 103.200 through 103.285, inclusive, to finance the acquisition, construction, installation, and equipping of the project, to acquire title to the project, and to lease said project back to Nucor. The project includes all industrial building facilities to be financed by the bonds, including but not limited to:

- Up to approximately 950 acres of land within the Buttermilk Falls Industrial Park
- An approximately, 1,500,000 square foot manufacturing plant to house the associate fixtures, equipment and other related property; and
- Fixtures, equipment, and other property related to the manufacture of steel and steel products.

The bonds will be payable solely from payments to be made by the Nucor under the lease agreement and will not be payable from any funds or assets of the county whatsoever. The county will enter into, at the appropriate times, each lease agreement with Nucor under which Nucor will covenant and agree to pay amounts sufficient to provide for the payment of principal and premium, if any, and interest on the related series of bonds together with all trustee, paying agent, and servicing agent's fees in connection with each such series. The maximum terms of the bonds will be limited to 40 years as authorized by state law.

As a condition to the county's agreement to issue the bonds, Nucor has agreed to make annual payments to the county for the benefit of the school district and the needed improvements to the sewer system. Nucor agrees that in each calendar year during the term of the agreement beginning on or after the first January 1st assessment date following the issuance of the first series of bonds, the company shall pay the county the following base amounts, less an premiums tax credit (defined below), consisting of the school portion (defined below) and the sewer portion (defined below)

Payment Year	Base Amount
Years 1-18	\$325,000
Years 19-30	\$225,000
Years 31-40	\$325,000

The base amounts of the pilot payment were determined based upon an assumed original cost of \$313,000,000 for the real property portion of the project to be financed by the bonds (the "Target"). The base amount shall be reduced by a corresponding percentage amount if (i) the actual original cost of the real property portion of the project financed is less than the Target, (ii) there is a loss of all or any portion of the real property portion of the project due to casualty or condemnation that reduces the original cost of the project below the Target; and/or (iii) if for any reason the project or any part of the property included within the project is legally placed on the ad valorem tax rolls and the original cost of the real property portion of the project that remains financed by the bonds is less than the Target.

Of each pilot payment, the pilot payment for the benefit of the school district shall be \$75,000. The pilot payment for the sewer system shall be the amount of each pilot payment remaining after subtracting the school portion.

The company shall be entitled to a credit against its annual pilot payment equal to the amount of insurance premiums levied by the county pursuant to KRS 91A.080 with respect to premiums paid by the company during the payment year, which credit shall reduce the sewer portion of the pilot payment. Any premiums tax credit unused in a payment year may be carried forward and used in subsequent payment years.

In fiscal year 2024 the pilot payment that was collected by the county was \$325,000.

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

Note 15. Prior Period Adjustments

Fund Balance - Beginning	\$ 11,534,328
Adjustment for Voided Checks	<u>460</u>
Total Fund Balance - Ending	<u><u>\$ 11,534,788</u></u>

MEADE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2024

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MEADE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2024

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 6,524,000	\$ 6,524,000	\$ 7,177,528	\$ 653,528
In Lieu Tax Payments	325,000	325,000	325,000	
Excess Fees	104,800	104,800	162,638	57,838
Licenses and Permits	424,000	424,000	1,067,206	643,206
Intergovernmental	10,366,500	10,366,500	3,608,819	(6,757,681)
Charges for Services	1,632,000	1,632,000	1,819,506	187,506
Miscellaneous	182,300	182,300	338,757	156,457
Interest	25,000	25,000	237,213	212,213
Total Receipts	19,583,600	19,583,600	14,736,667	(4,846,933)
DISBURSEMENTS				
General Government	3,191,400	3,191,400	2,272,345	919,055
Protection to Persons and Property	2,762,400	2,762,400	2,585,004	177,396
General Health and Sanitation	10,372,500	10,372,500	198,190	10,174,310
Social Services	29,500	29,500	5,760	23,740
Recreation and Culture	890,000	890,000	797,370	92,630
Debt Service	470,000	470,000	182,614	287,386
Capital Projects	100,000	100,000	3,000,000	(2,900,000)
Administration	3,040,900	3,040,900	3,032,816	8,084
Total Disbursements	20,856,700	20,856,700	12,074,099	8,782,601
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,273,100)	(1,273,100)	2,662,568	3,935,668
Other Adjustments to Cash (Uses)				
Borrowed Money			266,751	266,751
Transfers To Other Funds	(3,893,220)	(3,893,220)	(2,773,547)	1,119,673
Total Other Adjustments to Cash (Uses)	(3,893,220)	(3,893,220)	(2,506,796)	1,386,424
Net Change in Fund Balance	(5,166,320)	(5,166,320)	155,772	5,322,092
Fund Balance - Beginning	5,166,320	5,166,320	11,534,788	6,368,468
Fund Balance - Ending	\$ 0	\$ 0	\$ 11,690,560	\$ 11,690,560

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

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
In Lieu Tax Payments	\$ 10,000	\$ 10,000	\$ 52,590	\$ 42,590
Intergovernmental	2,205,000	2,205,000	2,042,935	(162,065)
Charges for Services	150,000	150,000	14,184	(135,816)
Miscellaneous	21,000	21,000	5,528	(15,472)
Interest	1,500	1,500	2,550	1,050
Total Receipts	2,387,500	2,387,500	2,117,787	(269,713)
DISBURSEMENTS				
Transportation Facilities and Services	3,000	3,000	442	2,558
Roads	3,584,000	3,584,000	1,961,700	1,622,300
Administration	575,800	575,800	401,571	174,229
Total Disbursements	4,162,800	4,162,800	2,363,713	1,799,087
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,775,300)	(1,775,300)	(245,926)	1,529,374
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,125,300	1,125,300	300,000	(825,300)
Total Other Adjustments to Cash (Uses)	1,125,300	1,125,300	300,000	(825,300)
Net Change in Fund Balance	(650,000)	(650,000)	54,074	704,074
Fund Balance - Beginning	650,000	650,000	439,154	(210,846)
Fund Balance - Ending	\$ 0	\$ 0	\$ 493,228	\$ 493,228

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

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 2,162,000	\$ 2,162,000	\$ 1,175,694	\$ (986,306)
Charges for Services	30,500	30,500	69,500	39,000
Miscellaneous	50,000	50,000	129,760	79,760
Interest	500	500	6,079	5,579
Total Receipts	<u>2,243,000</u>	<u>2,243,000</u>	<u>1,381,033</u>	<u>(861,967)</u>
DISBURSEMENTS				
Protection to Persons and Property	2,224,520	2,224,520	1,780,342	444,178
Administration	945,600	945,600	735,350	210,250
Total Disbursements	<u>3,170,120</u>	<u>3,170,120</u>	<u>2,515,692</u>	<u>654,428</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(927,120)</u>	<u>(927,120)</u>	<u>(1,134,659)</u>	<u>(207,539)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>727,120</u>	<u>727,120</u>	<u>1,377,120</u>	<u>650,000</u>
Total Other Adjustments to Cash (Uses)	<u>727,120</u>	<u>727,120</u>	<u>1,377,120</u>	<u>650,000</u>
Net Change in Fund Balance	(200,000)	(200,000)	242,461	442,461
Fund Balance - Beginning	<u>200,000</u>	<u>200,000</u>	<u>149,915</u>	<u>(50,085)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 392,376</u>	<u>\$ 392,376</u>

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

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,088,000	\$ 1,088,000	\$ 636,599	\$ (451,401)
Charges for Services	211,000	211,000	245,673	34,673
Interest	1,000	1,000	709	(291)
Total Receipts	1,300,000	1,300,000	882,981	(417,019)
DISBURSEMENTS				
Protection to Persons and Property	1,909,300	1,909,300	937,367	971,933
Debt Service			85,251	(85,251)
Administration	531,900	531,900	355,585	176,315
Total Disbursements	2,441,200	2,441,200	1,378,203	1,062,997
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,141,200)	(1,141,200)	(495,222)	645,978
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	841,200	841,200	500,000	(341,200)
Total Other Adjustments to Cash (Uses)	841,200	841,200	500,000	(341,200)
Net Change in Fund Balance	(300,000)	(300,000)	4,778	304,778
Fund Balance - Beginning	300,000	300,000	306,534	6,534
Fund Balance - Ending	\$ 0	\$ 0	\$ 311,312	\$ 311,312

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

	FEDERAL GRANTS FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$	\$	\$ 50,000	\$ 50,000
Interest	25,000	25,000	52,558	27,558
Total Receipts	25,000	25,000	102,558	77,558
DISBURSEMENTS				
General Government	124,000	124,000	1,275	122,725
Protection to Persons and Property	205,000	205,000	71,998	133,002
General Health and Sanitation			7,290	(7,290)
Recreation and Culture	50,000	50,000		50,000
Administration	1,646,000	1,646,000		1,646,000
Total Disbursements	2,025,000	2,025,000	80,563	1,944,437
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(2,000,000)	(2,000,000)	21,995	2,021,995
Net Change in Fund Balance	(2,000,000)	(2,000,000)	21,995	2,021,995
Fund Balance - Beginning	2,000,000	2,000,000	2,094,171	94,171
Fund Balance - Ending	\$ 0	\$ 0	\$ 2,116,166	\$ 2,116,166

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

	SOLID WASTE FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 2,000	\$ 2,000	\$	\$ (2,000)
Intergovernmental	1,064,000	1,064,000	1,644,337	580,337
Charges for Services	302,000	302,000	413,550	111,550
Miscellaneous	1,106,500	1,106,500	797,300	(309,200)
Interest	1,000	1,000	1,696	696
Total Receipts	2,475,500	2,475,500	2,856,883	381,383
DISBURSEMENTS				
General Health and Sanitation	1,918,800	1,918,800	2,667,068	(748,268)
Debt Service	1,210,000	1,210,000	57,117	1,152,883
Capital Projects	163,500	163,500		163,500
Administration	482,800	482,800	341,328	141,472
Total Disbursements	3,775,100	3,775,100	3,065,513	709,587
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,299,600)	(1,299,600)	(208,630)	1,090,970
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,199,600	1,199,600	300,000	(899,600)
Total Other Adjustments to Cash (Uses)	1,199,600	1,199,600	300,000	(899,600)
Net Change in Fund Balance	(100,000)	(100,000)	91,370	191,370
Fund Balance - Beginning	100,000	100,000	506,464	406,464
Fund Balance - Ending	\$ 0	\$ 0	\$ 597,834	\$ 597,834

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

SPECIAL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 60,000	\$ 60,000	\$ 52,110	\$ (7,890)
Total Receipts	60,000	60,000	52,110	(7,890)
DISBURSEMENTS				
General Government	60,000	60,000	38,383	21,617
Total Disbursements	60,000	60,000	38,383	21,617
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			13,727	13,727
Net Change in Fund Balance			13,727	13,727
Fund Balance - Beginning			40,566	40,566
Fund Balance - Ending	\$ 0	\$ 0	\$ 54,293	\$ 54,293

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

June 30, 2024

Note 1. Budgetary Information

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

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

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

Note 2. Reconciliation of The General Fund

Fund Balance - Budgetary Basis	\$ 11,690,560
Adjustment for payroll revolving account balance	<u>24,222</u>
Total Fund Balance - Regulatory Basis	<u>\$ 11,714,782</u>

Note 3. Excess of Disbursements Over Appropriations

General Fund Capital Projects line item exceeded budgeted appropriations by \$2,900,000.

LGEA Fund Debt Service line item exceeded budget appropriations by \$85,251.

Federal Grants Fund line item General Health and Sanitation exceeded budgeted appropriations by \$7,290.

Solid Waste Fund line item General Health and Sanitation exceeded budgeted appropriations by \$748,268.

MEADE COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2024

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MEADE COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2024

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 2,149,439	\$	\$	\$ 2,149,439
Buildings and Building Improvements	14,189,100			14,189,100
Vehicles	3,980,691	669,268		4,649,959
Machinery and Equipment (Restated)	3,858,988	995,638		4,854,626
Infrastructure	10,194,750	716,124		10,910,874
 Total Capital Assets	 \$ 34,372,968	 \$ 2,381,030	 \$ 0	 \$ 36,753,998

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

June 30, 2024

Note 1. Capital Assets

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

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

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

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ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

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

Independent Auditor's Report

The Honorable Troy Kok, Meade County Judge/Executive
Members of the Meade 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 Meade County Fiscal Court for the fiscal year ended June 30, 2024, and the related notes to the financial statement which collectively comprise the Meade County Fiscal Court's financial statement and have issued our report thereon dated June 12, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Meade 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 Meade County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Meade 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 a 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 2024-001, 2024-002, and 2024-003 to be material weaknesses.



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

Report on Internal Control Over Financial Reporting (Continued)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2024-004, 2024-005, and 2024-006 to be significant deficiencies.

Report on Compliance And Other Matters

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

Views of Responsible Officials and Planned Corrective Action

Government Auditing Standards requires the auditor to perform limited procedures on the Meade 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

June 12, 2025

**MEADE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2024

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**MEADE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2024

FINANCIAL STATEMENT FINDINGS:

2024-001 The Meade County Fiscal Court Lacks Adequate Controls Over The Payroll Process

The Meade County Fiscal Court does not have adequate controls over the payroll process. The following exceptions were noted during testing:

- The fiscal court meeting minutes did not document that the salary schedule was presented or approved by the fiscal court.
- Employee raises were not presented and approved by the fiscal court or documented in the fiscal court meeting minutes.
- Three employees who worked a holiday, reported excess of forty hours worked on their timesheets, and did not earn the accurate compensatory time per the county's personnel policies manual. These were employees from the road and dispatch departments and reported their hours worked on a holiday as if it was a regular work day, which the county's personnel manual. Auditors were told that there is an exception to this policy for road department employees, but it is not noted in the manual.

The official did not monitor the payroll process to make sure salaries and raises were approved in the fiscal court meeting minutes, and that hours worked by employees and paid to them complied with the county's personnel manual requirements. In addition, exceptions to established policies and procedures were not documented in the county's manual.

As a result of the salary schedule and employee raises not being approved by the fiscal court, the county failed to comply with KRS 67.100, 64.530, and 61.810. In addition, the county is not compliant with the written policies in its personnel manual regarding hours worked by employees on a holiday.

KRS 67.100 states,

“(1) The fiscal court is a court of record. Minutes of the proceedings of each meeting shall be prepared and submitted for approval at the next succeeding meeting. (2) Every official action of the fiscal court shall be made a part of the permanent records of the county. (3) The county budget ordinance shall be indexed so that each index list covers one (1) fiscal year and shall be listed in such index no later than thirty (30) days after passage and any required approval. (4) County ordinances other than the county budget ordinance shall be indexed in a composite index of all county ordinances in force, and shall be listed in the index no later than thirty (30) days after passage and any required approval. (5) A copy of all records required by this section shall be kept in the office of the county clerk.”

KRS 64.530(1) states, “[e]xcept as provided in subsections (5) and (6) of this section, the fiscal court of each county shall fix the reasonable compensation of every county officer and employee except the officers named in KRS 64.535 and the county attorney and jailer. The fiscal court may provide a salary for the county attorney.”

KRS 61.810(1) states, “[a]ll meetings of a quorum of the members of any public agency at which any public business is discussed or at which any action is taken by the agency, shall be public meetings, open to the public at all times,” except as noted in that statute. .

The county's personnel policy manual states that, “all employees occupying full-time regular positions shall receive holiday pay. Employees who work on a holiday shall be compensated for actual hours worked at one and one-half (1.5) times their regular rate of pay. Employees working on Christmas and Thanksgiving Day shall be compensated at two and one-half (2.5) times their regular pay. In addition, the manual states that, “Time off that does not count towards a forty (40) hour week, does include holiday leave.”

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2024-001 The Meade County Fiscal Court Lacks Adequate Controls Over The Payroll Process (Continued)

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.” Management reviewing payroll processes to ensure compliance with the county administrative policies and state laws is a necessary control to ensure payroll amounts reported on the financial statement, payments to employees, and for withholdings and taxes are accurate.

We recommend the Meade County Fiscal Court comply with the above statutes by requiring that all meetings that include discussions of any public business are recorded, are done so in a public meeting, and all matters that require fiscal court approval are documented in the fiscal court minutes. In addition, the fiscal court should comply with the county’s personnel policy manual that has been adopted by fiscal court and any exceptions to the policy should be noted in writing and included in the manual. The county should also contact the Kentucky Labor Cabinet to ensure that all time worked is being properly documented in accordance with the Kentucky’s labor laws.

County Judge/Executive’s Response: A comprehensive review of payroll procedures was conducted, and on June 10, 2025 the Fiscal Court formally approved a new Personnel Policy, which will go into effect on July 1, 2025. This updated policy includes strengthened internal controls, clearer procedures for timekeeping, approvals, and payroll processing and outlines accountability measures to ensure compliance.

2024-002 The Meade County Fiscal Court Failed To Properly Budget Funds For Fiscal Year 2024

The Meade County Fiscal Court did not have adequate internal control procedures in place to ensure proper budgeting and the following non-compliances and deficiencies were noted:

- The Meade County Fiscal Court failed to properly budget the Opioid Fund, which had receipts of \$297,193 and total expenditures of \$10,000.
- The fiscal court had the following funds with appropriations that exceeded the approved budget:
 - General Fund (Capital Projects) - \$2,900,000
 - LGEA Fund (Debt Service) - \$85,251
 - Federal Grants Fund (General Health and Sanitation) - \$7,290
 - Solid Waste Fund (General Health and Sanitation) - \$748,268

Due to a lack of management oversight, the Opioid Fund, which was a new fund for fiscal year 2024, was not included as a part of the county’s budgeted funds. There were also no budget amendments approved by fiscal court or submitted to the Department for Local Government (DLG) for any of the additional funds in which the categories were overspent.

The fiscal court’s failure to budget the Opioid Fund and approve budget amendments for funds in which categories were overspent caused the county to be in noncompliance with KRS 68.280 and DLG requirements.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2024-002 The Meade County Fiscal Court Failed To Properly Budget Funds For Fiscal Year 2024
 (Continued)

KRS 68.280 states, “[t]he fiscal court may make provision for the expenditure of receipts unanticipated in the original budget by preparing an amendment to the budget, showing the source and amount of the unanticipated receipts and specifying the budget funds that are to be increased thereby. The amendment shall be submitted to the state local finance officer subject to the same provisions as the original budget.

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.” Management review of fund activity to ensure all required funds are budgeted and reported to DLG on the fourth quarter report is a necessary control to ensure financial reporting is complete and accurate.

KRS 68.300 states in part, “[a]ny appropriation made or claim allowed by the fiscal court in excess of any budget fund, and any warrant or contract not within the budget appropriation, shall be void.”

We recommend the Meade County Fiscal Court budget the required funds and prepare budget amendments as required by KRS 68.280.

County Judge/Executive’s Response: The Meade County Fiscal Court was aware of the establishment of the opioid settlement fund; however, it was an oversight on my part not to initiate a budget amendment to reflect the new account during the fiscal year. This issue has been corrected, and the opioid fund was properly included in the budget for fiscal year 2025.

2024-003 The Meade County Fiscal Court Did Not Accurately Account For Debt On The Fourth Quarter Financial Statement

The fiscal court did not account for debt under the accurate disbursement account codes on the fourth quarter financial statement and the schedule of liabilities did not accurately reflect all debt and the accurate balances. As a result, several adjustments were needed to ensure disbursements were posted accurately. As a result, the LGEA Fund’s debt service category exceeded the budgeted appropriations in the amount of \$85,251. In addition, the fiscal court borrowed money in the amount of \$266,751 for the purchase of four ambulance vehicles but failed to post the total amount to the receipts ledger for the borrowed funds.

The county failed to implement effective controls to ensure debt transactions were properly recorded. In addition, the county was not aware the amount borrowed should be included on the financial statement.

The fourth quarter financial statement and schedule of liabilities did not accurately reflect the total debt for fiscal year 2024. As a result, the amount expended exceeded the budgeted appropriations for the LGEA Fund (debt service) and receipts were understated.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. DLG’s *County Budget Preparation and State Local Finance Officer Policy Manual* requires that all financial activity, including transactions through a third party, be recorded on the county’s financial statements.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2024-003 The Meade County Fiscal Court Did Not Accurately Account For Debt On The Fourth Quarter Financial Statement (Continued)

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.” Management’s reconciliation of debt payments reported on financial statements and liabilities balances reported in supporting schedules to corresponding amortization schedules is a necessary control procedure to ensure financial reports and related balance information are reported accurately.

We recommend the fiscal court ensure that all disbursements are accurately coded and recorded on the county’s quarterly report, including the schedule of liabilities, and all debt proceeds are properly accounted for in accordance with the *County Budget Preparation and State Local Finance Officer Policy Manual*.

County Judge/Executive’s Response: I acknowledge the omission of the newly acquired debt from the FY24 fourth quarter financial statement. The purchase was made in June 2024; however, the repayment schedule did not begin until July 2024. Due to an oversight, the debt was not reflected on the FY24 Q4 report. This has since been corrected and properly included in the Fiscal Year 2025 financial records.

2024-004 The Meade County Fiscal Court Did Not Maintain Proper Documentation For State Price Contract Purchases Or Follow Proper Procedures For Obtaining Bids

The Meade County Fiscal Court purchased a vehicle costing \$41,522 that exceeded the \$40,000 small purchase threshold with a state price contract. However, there was no documentation maintained by fiscal court to verify the master agreement number used was accurate and the price paid was at a state price amount. In addition, the fiscal court made two expenditures exceeding \$40,000 without following proper procedures and documenting the expenditures in the fiscal court minutes. One of these expenditures was not advertised for bids and the accepted bid was not documented as approved in the fiscal court minutes. Another was advertised for bid, however, there was no approval of the bid advertisement or of an accepted bid in the fiscal court minutes.

Controls were not in place to ensure all expenditures exceeding \$40,000 maintained adequate documentation for state price contracts and that proper bidding procedures were followed. By limiting competition or not receiving bids, the fiscal court may not receive the best price available for equipment and services it procures.. In addition, the fiscal court not receiving proper documentation for purchases under state price contract could result in the county making purchases from a vendor that does not in fact have a master agreement.

The fiscal court approved an ordinance for the county to adopt the Kentucky Model Procurement Code, KRS 45A.343 to 45A.460, which generally requires the county to use competitive bidding or competitive negotiation for expenditures of \$40,000 or more. Under KRS 45A.050(3), counties may also use state agency pricing contracts for the purchase of materials entered into with the Finance and Administration Cabinet through competitive bidding or with vendors who maintain a General Services Administration. Maintaining proper bid documentation also ensures all bids are considered on an equal basis and ensures all bids meet the minimum specifications of the fiscal court. In addition, the fiscal court should maintain proper documentation for purchases made under a state price contract to verify the vendor maintains an accurate master agreement number and is listed on the state website.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2024-004 The Meade County Fiscal Court Did Not Maintain Proper Documentation For State Price Contract Purchases Or Follow Proper Procedures For Obtaining Bids

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.” Management maintaining all required documentation for county expenditures of \$40,000 or more is a necessary control to ensure the county’s expenditures comply with the county administrative code and applicable state laws related to bidding requirements.

We recommend the fiscal court maintain supporting documentation for state price contracts and verify the master agreement number and price paid is accurate based the adopted Model Procurement Code. We also recommend that fiscal court follow proper bid laws and regulations by ensuring all purchases of \$40,000 or more be made in compliance with KRS 45A.343 to 45A.460.

County Judge/Executive’s Response: I acknowledge the finding regarding documentation for state price contract purchases and bidding procedures. While purchases were made with cost and compliance in mind, we recognize that proper documentation was not maintained to reflect adherence to the Model Procurement Code. Moving forward, I will ensure that any purchase involving a vendor not listed on the state price contract, calls will be made to vendors on the state contract to obtain a description and price. This information will be documented and used to verify local vendors.

2024-005 The Meade County Jailer Failed To Obtain Fiscal Court Approval Prior To Entering Into Contracts And Spent County Funds Without Fiscal Court Approval In Accordance With KRS 68.020 And KRS 441.225

In January 2022, the jailer entered into a contract with a telecommunications vendor to provide inmate telephone services without fiscal court approval. In addition, the jailer also entered into an agreement for food services dated January 2023, and another agreement with the same company for commissary purchases, dated January 2021, that were also not approved by the fiscal court.

The January 2022 agreement for inmate telephone services included a signing bonus commission in the form of a \$150,000 tech grant which is maintained by the vendor. The vendor allows the jailer to order goods and services. The costs of items ordered are then paid by the vendor and deducted from the grant balance. Terms of the agreement stipulate the tech grant is to be used over the term of the agreement and will be prorated over the 48-month period. If the agreement is terminated early, the prorated amount will be due back to the vendor within 15 days of termination notification. During the fiscal year ended June 30, 2024, the jailer spent \$49,060 on a 2023 truck. The Jail Fund receipts and disbursements were understated on the financial statement by \$49,060 since they were paid by the tech bonus and not included in the jail fund budgeted expenditures or receipts.

The jailer was unaware that fiscal court approval was required in regard to contracts that pertain to the jail. The jailer was not aware that this was a violation of state law for county fund expenditures. Without the proper oversight and approval of contracts and all related expenditures, county funds could be used improperly.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2024-005 The Meade County Jailer Failed To Obtain Fiscal Court Approval Prior To Entering Into Contracts And Spent County Funds Without Fiscal Court Approval In Accordance With KRS 68.020 And KRS 441.225 (Continued)

Although the jailer can sign contracts, the jailer may only do so after obtaining the approval of the fiscal court. Telephone commissions, including any bonuses, are considered receipts of the Fiscal Court and as such should be budgeted and deposited to the Fiscal Court's Jail Fund. These funds should be expended only after obtaining Fiscal Court's approval.

KRS 68.020(1) states, in part, "[t]he county treasurer shall receive and receipt for all money due to the county[.]"

KRS 441.225 states, "[e]xcept for capital improvements, utilities, and building insurance and except as provided in subsection (2) of this section, the jailer shall have authority to authorize expenditures from the jail budget. Such expenditures shall only be made in accordance with the line item jail budget duly adopted or amended by the fiscal court and the established county procurement code or purchase order procedure of the county. Payment for purchases for the jail shall be subject to fiscal court approval prior to payment. The fiscal court shall not withhold approval of payment for jail expenditures which are within the jail budget and not unlawful."

We recommend items ordered by the jailer and charged to the tech grant, after obtaining the fiscal court's approval, be paid from the fiscal court's Jail Fund. The county treasurer should then submit a reimbursement request to the tech grant vendor and deposit the receipts to the fiscal court's Jail Fund. We further recommend the jailer obtain fiscal court approval for any contracts related to jail operations before signing and engaging in those contract activities.

Jailer's Response: The jail purchased a vehicle using a tech grant from our current phone provider. The phone provider required a copy of the invoice to validate the purchase before releasing the funds. I emailed a copy of the vehicle invoice to the phone company, and they issued a check to [car dealership name redacted] instead of Fiscal Court. This was simply an error made by our phone provider.

2024-006 The Meade County Jail Did Not Have Adequate Controls Over Jail Commissary Fuel Purchases

The Meade County Jail did not have adequate controls over jail commissary bulk fuel purchases. During testing, auditors noted that fuel invoices did have an attached fuel log, but individual fuel receipts were not maintained. The fuel log was not sufficient in detail that would support the fuel was being used appropriately and for the benefit and to enhance the well-being of the inmates, or to enhance safety and security within the jail as required under KRS 441.135. There was no documentation to show the number of gallons of fuel remaining in the tank after each fill-up which would support the invoice paid. It was also noted that vehicles using the fuel tank were also shown on the gas card for fuel purchases, and one entry on the fuel log was noted for a transport. The gas cards are paid by the Jail Fund and should be for transport purposes, and the fuel tank is paid for with commissary funds and should be used for the benefit of the inmates.

The jailer failed to implement controls to ensure that sufficient detailed documentation was maintained and reviewed for jail commissary bulk fuel purchases. By not implementing controls over disbursements such as including appropriate documentation for fuel purchases results in noncompliance with KRS 65.140(2) and KRS 68.210.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2024-006 The Meade County Jail Did Not Have Adequate Controls Over Jail Commissary Fuel Purchases
 (Continued)

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.” Adequate reviews of fuel purchases is a necessary control procedure to ensure financial reports are accurate and reduce the risk of improper use of fuel used by jail employees.

We recommend the jailer ensure controls are implemented for fuel purchases and documentation is maintained to support the disbursement. The fuel log should be detailed that would support the gallons used agrees to the gallons purchased from the vendor. Supporting documentation should include, but not be limited to, the employee using the fuel, purpose of the travel or other use of the fuel, documentation of the vehicle or equipment used, and mileage, when applicable. Individual receipts should also be maintained, if applicable. This reconciliation should be completed and reviewed by someone independent of the reconciliation function prior to payment. The jailer should ensure that documentation of this reconciliation and an independent review is maintained.

Jailer’s Response: The jail installed a bulk fuel tank located behind the jail to save time and money from jail staff and inmates stopping at the local gas station. The fuel we purchase is ethanol free fuel which is proven to be more efficient in small engines. The jail created a written fuel log to keep up with fuel used. During the recent audit we were told this log is not an efficient way to track fuel usage. It was recommended that we could create an excel spreadsheet to record our fuel usage, but I don’t feel like having one person in the front office who never uses the fuel pump should create and maintain a fuel log on an excel spreadsheet. It think this opens the door for waste, fraud, and abuse. Another recommendation was installing some type of fuel metering device to monitor the fuel more efficiently. I don’t feel like this would be cost effective for the jail considering the small amount of fuel we use every year. When the remainder of the fuel in our onsite tank is used we will discontinue the use of onsite fuel and begin using [vendor name redacted] fuel cards for all vehicle fuel.

Auditors Reply: Agreement of the written fuel logs to amounts of fuel purchased to refill the tank is a basic internal control that could deter or eliminate possible ineligible use of the jail commissary fuel.

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

MEADE COUNTY FISCAL COURT

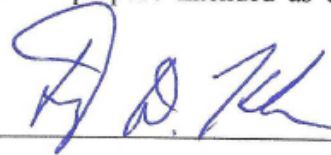
For The Year Ended June 30, 2024

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CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
MEADE COUNTY FISCAL COURT

For The Year Ended June 30, 2024

The Meade 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.

A handwritten signature in blue ink, appearing to be "D. D. K.", written over a horizontal line.

County Judge/Executive

A handwritten signature in blue ink, appearing to be "Tammy Graham", written over a horizontal line.

County Treasurer