

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

**For The Year Ended
June 30, 2025**



**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 Barry Smith, Taylor County Judge/Executive
Members of the Taylor 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 Taylor County Fiscal Court, for the year ended June 30, 2025, and the related notes to the financial statement, which collectively comprise the Taylor 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 Taylor County Fiscal Court, for the year ended June 30, 2025, in accordance with accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Basis for Opinions

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

Report on the Audit of the Financial Statement (Continued)

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 Taylor 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

Taylor 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 Taylor 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 Taylor 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 Barry Smith, Taylor County Judge/Executive
Members of the Taylor County Fiscal Court

Report on the Audit of the Financial Statement (Continued)

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 Taylor 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 Taylor 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
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2025, on our consideration of the Taylor 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 Taylor 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 included herein, which discusses the following report findings:

- 2025-001 The Taylor County Fiscal Court's Fourth Quarter Report And Budget Did Not Include The City Occupational Tax Fund
- 2025-002 The Taylor Count Fiscal Court Did Not Have Strong Internal Controls Over Handling Of Disbursements
- 2025-003 The Taylor County Fiscal Court Lacks Internal Controls Over Receipts And Deposits For Off-Site Collections
- 2025-004 The Taylor County Jail Does Not Have Adequate Controls Over The Commissary And Inmate Funds
- 2025-005 The Taylor County Jailer Improperly Disbursed Routine Medical Fees From Commissary Fund

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

December 15, 2025

TAYLOR COUNTY OFFICIALS**For The Year Ended June 30, 2025****Fiscal Court Members:**

Barry Smith	County Judge/Executive
Dr. James Jones	Magistrate
Timmy Newton	Magistrate
Tommy Corbin	Magistrate
Zuel Yarberry	Magistrate
Derrick Bright	Magistrate
Richard Phillips	Magistrate

Other Elected Officials:

John Bertram	County Attorney
Eddie "Hack" Marcum	Jailer
Mark Carney	County Clerk
Susie Skaggs	Circuit Court Clerk
Dickie Benningfield	Sheriff
Chad Shively	Property Valuation Administrator
Daniel Cook	Coroner

Appointed Personnel:

Melissa Williams	County Treasurer
Brian Smothers	Road Foreman
Hallie Newton	Occupational Tax Clerk

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

For The Year Ended June 30, 2025

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

For The Year Ended June 30, 2025

	Budgeted Funds			
	General Fund	Road Fund	Jail Fund	Community Development Block Grant (CDBG) Fund
RECEIPTS				
Taxes	\$ 7,282,283	\$	\$	\$
In Lieu Tax Payments	71,454			
Excess Fees	254,057			
Licenses and Permits	101,461			
Intergovernmental	526,575	1,510,285	1,686,318	
Charges for Services	34,774	47,655	128,647	
Miscellaneous	47,065	1,300	297,521	
Interest	151,888	25,049	10,251	
Total Receipts	<u>8,469,557</u>	<u>1,584,289</u>	<u>2,122,737</u>	
DISBURSEMENTS				
General Government	2,935,536			
Protection to Persons and Property	230,884		2,646,381	
General Health and Sanitation	825,640	34,972		
Social Services	10,652			
Recreation and Culture	269,042			
Transportation Facility and Services		46,855		
Roads	480,831	1,340,403		
Airports	123,431			
Debt Service			661,757	
Administration	<u>1,885,117</u>	<u>358,838</u>	<u>1,026,438</u>	
Total Disbursements	<u>6,761,133</u>	<u>1,781,068</u>	<u>4,334,576</u>	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,708,424</u>	<u>(196,779)</u>	<u>(2,211,839)</u>	
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	289,000		2,070,100	
Transfers To Other Funds	<u>(2,070,100)</u>			
Total Other Adjustments to Cash (Uses)	<u>(1,781,100)</u>		<u>2,070,100</u>	
Net Change in Fund Balance	(72,676)	(196,779)	(141,739)	
Fund Balance - Beginning (Restated)	<u>5,274,286</u>	<u>451,153</u>	<u>316,376</u>	
Fund Balance - Ending	<u>\$ 5,201,610</u>	<u>\$ 254,374</u>	<u>\$ 174,637</u>	<u>\$ 0</u>
Composition of Fund Balance				
Bank Balance	\$ 5,209,841	\$ 257,416	\$ 176,130	\$
Plus: Deposits In Transit				
Less: Outstanding Checks	(8,231)	(3,042)	(1,493)	
Certificates of Deposit				
Fund Balance - Ending	<u>\$ 5,201,610</u>	<u>\$ 254,374</u>	<u>\$ 174,637</u>	<u>\$ 0</u>

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

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

Budgeted Funds						
County Clerk	Opioid	Transient	Campbellsville	Taylor County		
Storage Fee	Settlement	Room Tax	University	Schools		
Fund	Fund	Fund	Fund	Fund		
\$	\$	\$	\$	\$	\$	\$
40,450	54,909		150,000	2,950,000		
1,051	5,618	339	265	495	139,130	
<u>41,501</u>	<u>60,527</u>	<u>154,874</u>	<u>150,265</u>	<u>2,950,495</u>	<u>139,130</u>	
24,846			150,000	2,950,000		
62,578						
	157,300					
24,846	<u>62,578</u>	<u>157,300</u>	<u>150,000</u>	<u>2,950,000</u>		
16,655	(2,051)	(2,426)	265	495	139,130	
					(289,000)	
					<u>(289,000)</u>	
16,655	(2,051)	(2,426)	265	495	(149,870)	
20,066	184,168	16,244			3,000,000	
<u>\$ 36,721</u>	<u>\$ 182,117</u>	<u>\$ 13,818</u>	<u>\$ 265</u>	<u>\$ 495</u>	<u>\$ 2,850,130</u>	
\$ 36,721	\$ 182,117	\$ 13,818	\$ 265	\$ 495	\$ 2,850,130	
					2,850,130	
<u>\$ 36,721</u>	<u>\$ 182,117</u>	<u>\$ 13,818</u>	<u>\$ 265</u>	<u>\$ 495</u>	<u>\$ 2,850,130</u>	

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

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

Unbudgeted Funds					
	City Occupational Tax Fund	Public Courthouse Corporation Fund	Jail Commissary Fund	Total Funds	
RECEIPTS					
Taxes	\$ 3,789,198	\$	\$	\$ 11,226,016	
In Lieu Tax Payments				71,454	
Excess Fees				254,057	
Licenses and Permits				101,461	
Intergovernmental		1,099,700		4,822,878	
Charges for Services				211,076	
Miscellaneous			533,660	4,074,905	
Interest	11,745	2,158		347,989	
Total Receipts	3,800,943	1,101,858	533,660	21,109,836	
DISBURSEMENTS					
General Government		3,921,003		9,981,385	
Protection to Persons and Property				2,877,265	
General Health and Sanitation				860,612	
Social Services				73,230	
Recreation and Culture			619,504	1,045,846	
Transportation Facility and Services				46,855	
Roads				1,821,234	
Airports				123,431	
Debt Service		1,099,701		1,761,458	
Administration				3,270,393	
Total Disbursements	3,921,003	1,099,701	619,504	21,861,709	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(120,060)	2,157	(85,844)	(751,873)	
Other Adjustments to Cash (Uses)					
Transfers From Other Funds				2,359,100	
Transfers To Other Funds				(2,359,100)	
Total Other Adjustments to Cash (Uses)					
Net Change in Fund Balance	(120,060)	2,157	(85,844)	(751,873)	
Fund Balance - Beginning (Restated)	138,985	5,987	197,127	9,604,392	
Fund Balance - Ending	\$ 18,925	\$ 8,144	\$ 111,283	\$ 8,852,519	
Composition of Fund Balance					
Bank Balance	\$ 20,859	\$ 8,144	\$ 148,692	\$ 6,054,498	
Plus: Deposits In Transit			3,460	3,460	
Less: Outstanding Checks	(1,934)		(40,869)	(55,569)	
Certificates of Deposit				2,850,130	
Fund Balance - Ending	\$ 18,925	\$ 8,144	\$ 111,283	\$ 8,852,519	

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

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TO THE FINANCIAL STATEMENT**

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**TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2025

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The Taylor County Hospital District, Taylor County Hospital District Health Facility Corporation, and Taylor County Tourist Commission would have been included in the reporting entity under accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. However, under the regulatory basis, they no longer are required components of the reporting entity. Audits of the following entities can be obtained from the Taylor County Fiscal Court, 203 N. Court Street, Suite 4, Campbellsville, Kentucky 42718.

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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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

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

Community Development Block Grant (CDBG) 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.

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

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

Transient Room Tax Fund - The primary purpose of this fund is to account for tourism taxes collected and passed through to the Tourism Commission. The primary source of receipts for this fund are transient tax payments by local lodging businesses.

Campbellsville University Grant Fund - The primary purpose of this fund is to account for a grant for Campbellsville University from the state government and related disbursements.

Taylor County Schools Grant Fund - The primary purpose of this fund is to account for a grant for Taylor County Schools from the state government and related disbursements.

Pool Project Fund - The primary purpose of this fund is to account for receipts and disbursements associated with the construction of a community aquatic center pursuant to an interlocal agreement between the fiscal court and the county board of education. The fiscal court transferred funds from the General Fund to invest in a certificate of deposit to cover the yearly payments of the interlocal agreement. Funds are transferred to the General Fund annually to cover the payment to the county board of education.

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

City Occupational Tax Fund - The primary purpose of this fund is to account for occupational tax and net profit tax collected and disbursed by the fiscal court on behalf of the City of Campbellsville, as its agent, per an interlocal agreement. The primary source of receipts for this fund are taxes paid by local businesses. These funds are required to be held and budgeted by the county treasurer on behalf of the city. However, the fiscal court did not budget this fund as required by the state local finance officer.

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

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 public courthouse corporation fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

E. Taylor County Elected Officials

Kentucky law provides for election of the officials listed below from the geographic area constituting Taylor 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 Taylor 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.

H. Related Organizations and Joint Ventures

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. The Taylor County Fiscal Court appoints the members of the Taylor County Airport Board, thus making it a related organization.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility, is a joint venture. None were noted.

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

Note 1. Summary of Significant Accounting Policies (Continued)

H. Related Organizations and Joint Ventures (Continued)

Regional governments or other multi-governmental arrangements that are governed by representatives from each of the governments that created the organizations but are not joint ventures because the participants do not retain an ongoing financial interest or responsibility is a jointly governed organization. The Taylor County Fiscal Court entered an agreement with the Green County Fiscal Court to form the Green-Taylor Water District but have no financial interest, thus creating a joint governed organization. The Taylor County Fiscal Court entered an agreement with the City of Campbellsville to form the Campbellsville-Taylor County Economic Development Authority but have no financial interest or responsibility, thus creating a joint governed organization.

Note 2. Deposits

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

Custodial Credit Risk - Deposits

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

Note 3. Transfers

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

	General Fund	Pool Project Fund	Total
General Fund	\$ 2,070,100	\$ 289,000	\$ 289,000
Jail Fund			2,070,100
Total Transfers Out	\$ 2,070,100	\$ 289,000	\$ 2,359,100

Reason for transfers:

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

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

Note 4. Custodial Fund

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, 2025, was \$1,665.

Note 5. Commitments – Lease Agreements

A. Leases – Lessor

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

Description	Effective Date	Length of Term	Frequency of Payments	Ending Date	Amount of Payments	Balance June 30, 2025
Administrative Office of the Courts	2/17/2016	12 years	Biannual	3/1/2028	\$1,099,700 ¹	\$ 3,302,400

¹The amount of payments listed is the value of principal + interest payments received this fiscal year. Future payment amounts will vary based on the debt schedule for first mortgage refunding revenue bonds, series 2016 at Note 6.A.2.

B. Leases – Lessee

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

Description	Effective Date	Length of Term	Frequency of Payments	Ending Date	Amount of Payments	Balance June 30, 2025
County Clerk's Copiers	3/2/2021	60 months	Monthly	2/2/2026	\$ 321	\$ 2,244
Jail's Copiers	6/5/2023	63 months	Monthly	8/5/2028	\$ 375	\$ 14,631
Postage Meter	9/16/2022	60 months	Quarterly	8/16/2027	\$ 378	\$ 3,466

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

Note 6. Long-term Debt

A. Other Debt

1. General Obligation Refunding Bonds, Series 2015

On September 9, 2015, the Taylor County Fiscal Court issued general obligations refunding bonds, series 2015, in the amount of \$8,765,000 to retire the general obligation bonds, series 2007, used for the construction of the detention center. The fiscal court authorized the refunding at a variable interest rate between 1.50% and 3%. The bonds mature serially through September 1, 2032, and the bonds require annual principal payments starting September 1, 2016. Interest payments are due semi-annually on March 1 and September 1 of each year with the first payment due March 1, 2016. The bonds are guaranteed by the general revenues of the fiscal court. The sole remedy available in any proceeding to enforce default of payment shall be an action in mandamus, for specific performance or similar remedy to compel performance. Principal outstanding as of June 30, 2025, was \$4,735,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2026	\$ 535,000	\$ 127,251
2027	550,000	112,333
2028	565,000	96,860
2029	585,000	80,760
2030	600,000	64,170
2031-2033	1,900,000	86,085
Totals	<u>\$ 4,735,000</u>	<u>\$ 567,459</u>

2. First Mortgage Refunding Revenue Bonds, Series 2016

On February 17, 2016, the Taylor County Public Courthouse Corporation issued first mortgage refunding revenue bonds (judicial center project), series 2016, in the amount of \$9,080,000 to retire the first mortgage revenue bonds, series 2007, issued by the Public Courthouse Corporation to construct the judicial center. The corporation authorized the refunding at a variable interest rate between 2% and 4%. The bonds mature serially through September 1, 2027, and the bonds require annual principal payments starting September 1, 2020. Interest payments are due semi-annually on March 1 and September 1 of each year with the first payment due September 2016. A mortgage has been issued secured by the judicial center. In the event of default, the judicial center will be repossessed by the financial institution. The corporation has entered into an agreement to lease the Taylor County Judicial Center to the Administrative Office of the Courts, Commonwealth of Kentucky, for the amount of the bond payments. Principal outstanding as of June 30, 2025, was \$3,110,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2026	\$ 995,000	\$ 105,700
2027	1,035,000	65,100
2028	1,080,000	21,600
Totals	<u>\$ 3,110,000</u>	<u>\$ 192,400</u>

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

Note 6. Long-term Debt (Continued)

B. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2025, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Other Debt	\$ 9,320,000	\$	\$1,475,000	\$ 7,845,000	\$ 1,530,000
Total Long-term Debt	\$ 9,320,000	\$ 0	\$ 1,475,000	\$ 7,845,000	\$ 1,530,000

C. Aggregate Debt Schedule

The amount of required principal and interest payments on long-term obligations on June 30, 2025, were as follows:

Fiscal Year Ended June 30	Other Debt	
	Principal	Interest
2026	\$ 1,530,000	\$ 232,951
2027	1,585,000	177,433
2028	1,645,000	118,460
2029	585,000	80,760
2030	600,000	64,170
2031-2033	1,900,000	86,085
Totals	\$ 7,845,000	\$ 759,859

D. Bond Rate Change

On October 9, 2024, Moody's Investors Service withdrew the fiscal court's rating due to lack of sufficient information. The rating action impacts all of the issuer's outstanding general obligation debt.

Note 7. 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.

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

Note 8. Commitment – Aquatic Facility

On August 22, 2023, the Taylor County Fiscal Court entered into an interlocal agreement with the Taylor County Board of Education (TCBE) to facilitate the construction of an aquatic facility by the TCBE. The fiscal court agrees to pay the TCBE \$2,890,000 in ten equal annual installments beginning upon breaking of ground at the commencement of construction. The fiscal court's contribution shall be in exchange for the use of the aquatic facility by the citizens of Taylor County. The TCBE shall have the right to restrict the use of the aquatic facility when students of the local school systems have scheduled swim meets or scheduled practices. The term of the agreement shall be for 25 years beginning August 1, 2024, and ending on August 1, 2049. The agreement shall automatically be renewed for an additional five year term so long as the aquatic facility is being used as an aquatic facility at the inception of any renewal term or unless the fiscal court provides written notice to the TCBE that it does not desire to renew the agreement. Amount outstanding as of June 30, 2025, was \$2,601,000. Future payment requirements are:

Fiscal Year Ending	
June 30	Principal
2026	\$ 289,000
2027	289,000
2028	289,000
2029	289,000
2030	289,000
2031-2034	<u>1,156,000</u>
Totals	<u>\$ 2,601,000</u>

Note 9. Employee Retirement System

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

The county's contribution for FY 2023 was \$1,121,589, FY 2024 was \$1,087,221, and FY 2025 was \$984,124.

Nonhazardous

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

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

Note 9. 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 CERS Board of Trustees based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

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

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

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 be allocated to CERS's share of assets in the Ky. Ret. Sys. insurance trust fund.

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

Members in the plan contribute a set percentage of their salary each month to their own accounts. 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 38.61%.

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

Note 9. 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.

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

Note 9. 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.ky.gov>.

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

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

Note 10. Deferred Compensation

The Taylor 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 11. Health Reimbursement Account/Flexible Spending Account

In 2010, the Taylor County Fiscal Court established a health reimbursement account to provide employees an additional health benefit. The county has contracted with a third-party administrator to administer the plan. The plan provides a debit card to each eligible employee providing \$2,000 each year to pay for qualified medical expenses. The balance of the health reimbursement account is \$106,607 as of June 30, 2025. In addition, employees may contribute additional pre-tax funds through payroll deduction. The balance of the flexible spending account is \$2,394 as of June 30, 2025.

Note 12. Insurance

For the fiscal year ended June 30, 2025, the Taylor 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 13. Related Party Transactions – Magistrates

- A. A magistrate's son owns two companies that provide services to the Taylor County Fiscal Court. The fiscal court paid a total of \$121,555 on illegal dump cleanup, lawn services, tree removal, roofing and wall metals to these companies during the fiscal year ending June 30, 2025.
- B. One of the magistrates is on the board of trustees for Campbellsville University (CU). The board of trustees has 34 trustees. On July 17, 2024, the Taylor County Fiscal Court and CU memorandum of agreement for the purposes of implementation of a rural economic development initiative. The fiscal court agreed to serve as a conduit for CU for purposes of receiving state funding of \$500,000 from the Kentucky Department for Local Government. The fiscal court paid \$150,000 in a state grant to CU for the fiscal year ending June 30, 2025. In addition, the fiscal court also paid \$50 to CU for election poll rental for the fiscal year ending June 30, 2025.

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

Note 14. Conduit Debt

From time to time, the county has issued bonds to provide financial assistance to Taylor County Regional Hospital 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 Taylor 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, 2025, conduit debt has been issued but the amount currently outstanding is not reasonably determinable.

Note 15. Prior Period Adjustments

	General Fund	Occupational Fund	Tax Commissary Fund	Jail Fund
Fund Balance - Beginning per Prior Year Audit Report	\$ 5,273,821	\$ 138,006	\$ 192,919	
Adjustments:				
Add: Prior Year Outstanding Checks Voided	465	979		1,264
Add: Prior Year Misstated Amount Due Fiscal Court				2,944
Fund Balance - Beginning (Restated)	\$ 5,274,286	\$ 138,985	\$ 197,127	

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

For The Year Ended June 30, 2025

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TAYLOR COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2025

GENERAL FUND					
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget	
	Original	Final		Positive	(Negative)
RECEIPTS					
Taxes	\$ 6,366,015	\$ 6,366,015	\$ 7,282,283	\$ 916,268	
In Lieu Tax Payments	33,000	33,000	71,454	38,454	
Excess Fees	255,000	255,000	254,057	(943)	
Licenses and Permits	130,000	130,000	101,461	(28,539)	
Intergovernmental	3,994,455	3,994,455	526,575	(3,467,880)	
Charges for Services	32,500	32,500	34,774	2,274	
Miscellaneous	62,250	62,250	47,065	(15,185)	
Interest	120,000	120,000	151,888	31,888	
Total Receipts	<u>10,993,220</u>	<u>10,993,220</u>	<u>8,469,557</u>	<u>(2,523,663)</u>	
DISBURSEMENTS					
General Government	3,271,955	3,644,555	2,935,536	709,019	
Protection to Persons and Property	300,955	305,555	230,884	74,671	
General Health and Sanitation	956,644	1,097,744	825,640	272,104	
Social Services	18,000	28,000	10,652	17,348	
Recreation and Culture	327,296	366,896	269,042	97,854	
Transportation Facilities and Services	260,000	260,000	260,000	260,000	
Roads	600,000	600,000	480,831	119,169	
Airports	119,336	124,836	123,431	1,405	
Administration	6,168,934	7,869,455	1,885,117	5,984,338	
Total Disbursements	<u>12,023,120</u>	<u>14,297,041</u>	<u>6,761,133</u>	<u>7,535,908</u>	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,029,900)</u>	<u>(3,303,821)</u>	<u>1,708,424</u>	<u>5,012,245</u>	
Other Adjustments to Cash (Uses)					
Transfers From Other Funds			289,000	289,000	
Transfers To Other Funds	(1,970,100)	(1,970,100)	(2,070,100)	(100,000)	
Total Other Adjustments to Cash (Uses)	<u>(1,970,100)</u>	<u>(1,970,100)</u>	<u>(1,781,100)</u>	<u>189,000</u>	
Net Change in Fund Balance	(3,000,000)	(5,273,921)	(72,676)	5,201,245	
Fund Balance - Beginning (Restated)	<u>3,000,000</u>	<u>5,273,921</u>	<u>5,274,286</u>	<u>365</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,201,610</u>	<u>\$ 5,201,610</u>	

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

ROAD FUND					
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget	
	Original	Final		Positive (Negative)	
RECEIPTS					
Intergovernmental	\$ 1,436,935	\$ 1,436,935	\$ 1,510,285	\$ 73,350	
Charges for Services	80,000	80,000	47,655	(32,345)	
Miscellaneous			1,300	1,300	
Interest	16,000	16,000	25,049	9,049	
Total Receipts	<u>1,532,935</u>	<u>1,532,935</u>	<u>1,584,289</u>	<u>51,354</u>	
DISBURSEMENTS					
General Health and Sanitation	55,000	58,500	34,972	23,528	
Transportation Facilities and Services	50,000	50,000	46,855	3,145	
Roads	1,228,502	1,498,252	1,340,403	157,849	
Administration	499,433	377,336	358,838	18,498	
Total Disbursements	<u>1,832,935</u>	<u>1,984,088</u>	<u>1,781,068</u>	<u>203,020</u>	
Net Change in Fund Balance	(300,000)	(451,153)	(196,779)	254,374	
Fund Balance - Beginning	<u>300,000</u>	<u>451,153</u>	<u>451,153</u>		
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 254,374</u>	<u>\$ 254,374</u>	

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

JAIL FUND					
	Budgeted Amounts		Actual	Variance with	
	Original	Final	Amounts, (Budgetary Basis)	Final Budget	
				Positive (Negative)	
RECEIPTS					
Intergovernmental	\$ 2,124,500	\$ 2,124,500	\$ 1,686,318	\$ (438,182)	
Charges for Services	72,000	72,000	128,647		56,647
Miscellaneous	340,500	398,705	297,521		(101,184)
Interest	15,000	15,000	10,251		(4,749)
Total Receipts	2,552,000	2,610,205	2,122,737		(487,468)
DISBURSEMENTS					
Protection to Persons and Property	2,897,200	2,988,355	2,646,381		341,974
Debt Service	685,000	685,000	661,757		23,243
Administration	1,239,900	1,220,286	1,026,438		193,848
Total Disbursements	4,822,100	4,893,641	4,334,576		559,065
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,270,100)</u>	<u>(2,283,436)</u>	<u>(2,211,839)</u>		<u>71,597</u>
Other Adjustments to Cash (Uses)					
Transfers From Other Funds	1,970,100	1,983,436	2,070,100		86,664
Total Other Adjustments to Cash (Uses)	1,970,100	1,983,436	2,070,100		86,664
Net Change in Fund Balance	(300,000)	(300,000)	(141,739)		158,261
Fund Balance - Beginning	300,000	300,000	316,376		16,376
Fund Balance - Ending	\$ 0	\$ 0	\$ 174,637		\$ 174,637

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

COMMUNITY DEVELOPMENT BLOCK GRANT FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 7,500	\$ 7,500	\$ _____	\$ (7,500)
Total Receipts	<u>7,500</u>	<u>7,500</u>	<u>_____</u>	<u>(7,500)</u>
DISBURSEMENTS				
Administration	<u>7,500</u>	<u>7,500</u>	<u>_____</u>	<u>7,500</u>
Total Disbursements	<u>7,500</u>	<u>7,500</u>	<u>_____</u>	<u>7,500</u>
Net Change in Fund Balance				
Fund Balance - Beginning	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

COUNTY CLERK STORAGE FEE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
	RECEIPTS			
Miscellaneous	\$ 149,000	\$ 149,000	\$ 40,450	\$ (108,550)
Interest	1,000	1,000	1,051	51
Total Receipts	<u>150,000</u>	<u>150,000</u>	<u>41,501</u>	<u>(108,499)</u>
DISBURSEMENTS				
General Government	150,000	150,000	24,846	125,154
Administration		20,066		20,066
Total Disbursements	<u>150,000</u>	<u>170,066</u>	<u>24,846</u>	<u>145,220</u>
Net Change in Fund Balance		(20,066)	16,655	36,721
Fund Balance - Beginning		<u>20,066</u>	<u>20,066</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 36,721</u>	<u>\$ 36,721</u>

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

OPIOID SETTLEMENT FUND					
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget	
	Original	Final		Positive	(Negative)
RECEIPTS					
Miscellaneous	\$ 397,500	\$ 397,500	\$ 54,909	\$ (342,591)	
Interest	2,500	2,500	5,618	3,118	
Total Receipts	<u>400,000</u>	<u>400,000</u>	<u>60,527</u>	<u>(339,473)</u>	
DISBURSEMENTS					
Social Services	400,000	400,000	62,578	337,422	
Administration	184,168			184,168	
Total Disbursements	<u>400,000</u>	<u>584,168</u>	<u>62,578</u>	<u>521,590</u>	
Net Change in Fund Balance	(184,168)		(2,051)	182,117	
Fund Balance - Beginning	184,168		184,168		
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 182,117</u>	<u>\$ 182,117</u>	

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

TRANSIENT ROOM TAX FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
	RECEIPTS			
Taxes	\$ 299,800	\$ 299,800	\$ 154,535	\$ (145,265)
Interest	200	200	339	139
Total Receipts	<u>300,000</u>	<u>300,000</u>	<u>154,874</u>	<u>(145,126)</u>
DISBURSEMENTS				
Recreation and Culture	300,000	300,000	157,300	142,700
Total Disbursements	<u>300,000</u>	<u>300,000</u>	<u>157,300</u>	<u>142,700</u>
Net Change in Fund Balance			(2,426)	(2,426)
Fund Balance - Beginning			<u>16,244</u>	<u>16,244</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 13,818</u>	<u>\$ 13,818</u>

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

CAMPBELLSVILLE UNIVERSITY GRANT FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$	150,000	\$ 150,000	\$
Interest			265	265
Total Receipts		150,000	150,265	265
DISBURSEMENTS				
General Government		150,000	150,000	
Total Disbursements		150,000	150,000	
Net Change in Fund Balance			265	265
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 265	\$ 265

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

TAYLOR COUNTY SCHOOLS GRANT FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$	2,950,000	\$ 2,950,000	\$
Interest			495	495
Total Receipts		2,950,000	2,950,495	495
DISBURSEMENTS				
General Government		2,950,000	2,950,000	
Total Disbursements		2,950,000	2,950,000	
Net Change in Fund Balance			495	495
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 495	\$ 495

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

POOL PROJECT FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 3,000,000	\$ 3,000,000	\$	\$ (3,000,000)
Interest	500,000	500,000	139,130	(360,870)
Total Receipts	<u>3,500,000</u>	<u>3,500,000</u>	<u>139,130</u>	<u>(3,360,870)</u>
DISBURSEMENTS				
General Government				
Administration	3,500,000	3,500,000		3,500,000
Total Disbursements	<u>3,500,000</u>	<u>3,500,000</u>		<u>3,500,000</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			139,130	139,130
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(289,000)	(289,000)
Total Other Adjustments to Cash (Uses)			<u>(289,000)</u>	<u>(289,000)</u>
Net Change in Fund Balance			(149,870)	(149,870)
Fund Balance - Beginning			<u>3,000,000</u>	<u>3,000,000</u>
Fund Balance - Ending	\$ 0	\$ 0	<u>\$ 2,850,130</u>	<u>\$ 2,850,130</u>

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

June 30, 2025

Note 1. Budgetary Information

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

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

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

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

For The Year Ended June 30, 2025

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TAYLOR COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2025

The fiscal court reports the following Schedule of Capital Assets:

	(Restated*)			
	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 3,987,766	\$	\$	\$ 3,987,766
Buildings	29,346,002	112,623		29,458,625
Other Equipment	2,634,126	152,438		2,786,564
Vehicles *	3,643,116			3,643,116
Infrastructure	18,763,287	1,026,847		19,790,134
 Total Capital Assets	 \$ 58,374,297	 \$ 1,291,908	 \$ 0	 \$ 59,666,205

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

June 30, 2025

Note 1. Capital Assets

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

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Equipment	\$ 10,000	3-25
Vehicles	\$ 5,000	3-25
Infrastructure	\$ 20,000	10-50

Note 2. Prior Period Adjustments

Schedule of Capital Assets beginning balances were restated as follows:

	Beginning Balance	Additions	Deletions	(Restated*) Beginning Balance
Vehicles *	\$ 3,591,996	\$ 51,120	\$	\$ 3,643,116

Added a vehicle inadvertently left off capital asset schedule in fiscal year 2024.

**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 Barry Smith, Taylor County Judge/Executive
Members of the Taylor 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 Taylor County Fiscal Court for the fiscal year ended June 30, 2025, and the related notes to the financial statement which collectively comprise the Taylor County Fiscal Court's financial statement and have issued our report thereon dated December 15, 2025.

Report on Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2025-001, 2025-002, 2025-003, 2025-004, and 2025-005 to be material weaknesses.



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

Report on Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Taylor County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying Schedule of Findings and Responses as items 2025-001, 2025-002, 2025-003, 2025-004, and 2025-005.

Views of Responsible Officials and Planned Corrective Action

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

December 15, 2025

**TAYLOR COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2025

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**TAYLOR COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2025

2025-001 The Taylor County Fiscal Court's Fourth Quarter Report And Budget Did Not Include The City Occupational Tax Fund

Condition and Context

This is a repeat finding and was included in the prior year audit report as finding 2024-001. The Taylor County Fiscal Court does not have adequate controls over the reporting and budgeting process. The fiscal court's fourth quarter report was materially misstated and disbursements for the City Occupational Tax Fund were not budgeted. The fiscal court collects occupational tax and net profit tax on behalf of the City of Campbellsville, as its agent, per an interlocal agreement. The city occupational tax funds were deposited into and disbursed from the fiscal court's City Occupational Tax Fund bank account. The county treasurer separately maintains a receipts ledger, disbursements ledger, and financial report for the fund; however, the fund was not recorded on the fiscal court's fourth quarter report or included in its budget resulting in material misstatements on the report submitted to the Department For Local Government. The City Occupational Tax Fund's financial activity was understated by the following: beginning balance in the amount of \$138,985; receipts in the amount of \$3,800,943; disbursements in the amount of \$3,921,003; and the ending balance in the amount of \$18,925.

Cause

The county treasurer stated she had always prepared separate ledgers and a separate financial report for the City Occupational Tax Fund. In addition, the fiscal court did not have procedures in place to review and ensure the fund was included on the fourth quarter report and budget.

Effect

The fiscal court's fourth quarter report was inaccurate since it did not include the City Occupational Tax Fund. Thus, the DLG staff and fiscal court members making fiscal decisions relied on incorrect information. As a result of not budgeting for the payments to the City of Campbellsville, the City Occupational Tax Fund is presented as an unbudgeted fund.

Criteria

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

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in the DLG's *County Budget Preparation and State Local Finance Officer Policy Manual*. This manual requires all receipts collected and disbursed to be reported on the fourth quarter report.

KRS 68.300 states, "[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. No member of the fiscal court shall vote for any such illegal appropriation or claim."

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

2025-001 The Taylor County Fiscal Court's Fourth Quarter Report And Budget Did Not Include The City Occupational Tax Fund (Continued)

Criteria (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.”

Recommendations

We recommend the Taylor County Fiscal Court implement procedures to review and ensure that future quarterly reports are accurate and include all funds handled by the county treasurer. We also recommend the Taylor County Fiscal Court ensure that all funds handled by the county treasurer are included in the fiscal court's budget.

Views of Responsible Official and Planned Corrective Action

County Judge/Executive's Response: An interlocal agreement has been in place with the City of Campbellsville. This agreement has been sufficient since 2009. The City of Campbellsville audits this fund annually and controls the account.

This is considered a custodial fund and does not have to be included in the Taylor County Fiscal Court budget.

Auditor's Reply: As noted above, the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual* requires all receipts collected and disbursed by the fiscal court to be reported on the fourth quarter report. The fiscal court maintains control of the account since the city occupational tax is collected by a county employee and deposited to a bank account controlled by the county treasurer, who in turn prepares monthly reports, reconciles the bank account, and disburses funds to the city.

2025-002 The Taylor Count Fiscal Court Did Not Have Strong Internal Controls Over Handling Of Disbursements

Condition and Context

This is a repeat finding and was included in the prior year audit report as finding 2024-003. We tested 73 operating disbursements with the following issues noted:

- The fiscal court replaced three culverts for a cost of \$93,900, \$93,900, and \$72,850 without properly advertising for bids.
- The jailer made payments to a contracted food service vendor at the jail totaling \$338,546 in fiscal year ending June 30, 2025, without properly advertising for bids.
- The jail approved invoices for payment for food service for June 8, 2024 to October 18, 2024 during fiscal year 2025 that had been overbilled by the vendor by at least \$22,500, which reflects the cost of an estimated 15,411 meals. The jailer discovered the overbilling and obtained a credit for \$22,500 from the vendor.
- Five disbursements in the amount of \$157,142 were not paid within 30 working days of receiving the invoice.
- Thirteen disbursements in the amount of \$3,523,736 did not have a purchase order issued for invoices.
- Twenty-nine disbursements in the amount of \$1,245,229 had purchase orders issued after the invoice date.
- The fiscal court is not properly maintaining supporting documentation for encumbrances of \$427,793 reported on the fourth quarter financial report.

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

2025-002 The Taylor Count Fiscal Court Did Not Have Strong Internal Controls Over Handling Of Disbursements (Continued)

Condition and Context (Continued)

- One invoice for workers compensation was overpaid by \$58,000. The invoice did not agree to the cancelled check. A refund was received from the vendor.

Cause

The fiscal court failed to establish appropriate internal controls over disbursements and has failed to document review activities performed by the county judge/executive. In addition, jailer's internal controls over food service invoices are not functioning.

Effect

The fiscal court's failure to establish effective internal controls over disbursements resulted in numerous instances of noncompliance and overpayments reflected above.

Criteria

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

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual*. The manual presents requirements for counties handling of disbursements, including:

- Purchase orders issued for all county purchases.
- Claims against the county are required to be paid within 30 days pursuant to KRS 65.140.
- Unpaid purchase orders as of June 30 should be reported as encumbrances on the face of the fourth quarterly financial report. In addition, KRS 68.360(2) states, "[t]he county judge/executive shall, within fifteen (15) days after the end of each quarter of each fiscal year, prepare a statement showing the current fiscal year to date actual receipts from each county revenue source, the totals of all encumbrances and expenditures charged against each budget fund, the unencumbered balance for the fund, and any transfer made to or from the fund."

KRS 424.260(1) states, "[e]xcept where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract, lease, or other agreement for:

- (a) Materials;
- (b) Supplies, except perishable foods such as meat, poultry, fish, egg products, fresh vegetables, and fresh fruits;
- (c) Equipment; or
- (d) Contractual services other than professional;

involving an expenditure of more than forty thousand dollars (\$40,000) without first making newspaper advertisement for bids."

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

2025-002 The Taylor Count Fiscal Court Did Not Have Strong Internal Controls Over Handling Of Disbursements (Continued)

Criteria (Continued)

In addition, the Taylor County Administrative Code Section 8.2C requires, “[a]ny expenditure or contract for materials, supplies (except perishable meat, fish, and vegetables), equipment, or for contractual services other than professional, involving an expenditure of more than Forty Thousand Dollars (\$40,000) shall be subject to competitive bidding. Except State Bid Pricing.”

Recommendations

We recommend the fiscal court improve procedures over disbursements to ensure the proper handling of disbursements.

Views of Responsible Official and Planned Corrective Action

County Judge/Executive's Response: This has been discussed and action is planned to correct the problems.

2025-003 The Taylor County Fiscal Court Lacks Internal Controls Over Receipts And Deposits For Off-Site Collections

Condition and Context

This is a repeat finding and was included in the prior year audit report as finding 2024-002. The following issues were noted with regard to internal controls over receipts and deposits for off-site collections:

- Checks for two returns of \$110,939 out of 39 returns of \$812,856 tested for county occupational taxes collected were not deposited daily. Money was deposited 6 to 8 days after collection.
- Checks for one return of \$9,600 out of 10 returns of \$46,800 tested for county net profits license fees collected were not deposited daily. Money was deposited 6 days after collection.
- Checks for one return of \$9,539 out of 6 returns of \$25,539 tested for city net profits license fees collected were not deposited daily. Money was deposited 6 days after collection.
- Checks for four receipt tickets of \$2,086 for two days of five days of \$2,633 collections tested for animal shelter receipts were not batched daily. These receipts were also not deposited daily. Money was deposited 5 to 36 days after collection.
- Transient tax of \$46,739 in checks collected for five deposits tested collected by the Taylor County Tourism Commission was not deposited daily. The checks were deposited 3 to 25 business days after collection.
- Receipts from the Taylor County Tourism Commission are not being batched daily. Daily check-out sheets are prepared monthly and turned over to the county treasurer monthly for deposit. Two monthly reports did not include detail of transient tax collected. Transient tax collections for fiscal year 2025 were \$154,685.

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

2025-003 The Taylor County Fiscal Court Lacks Internal Controls Over Receipts And Deposits For Off-Site Collections (Continued)

Cause

The Taylor County Judge/Executive and the fiscal court have failed to establish internal controls over receipts and deposits from off-site collections such as the occupational taxes, animal shelter, and tourism commission.

Effect

Inaccurate financial reporting and misappropriated funds may occur when receipts are not accounted for daily and daily check sheets are not prepared.

Criteria

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

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The DLG’s *County Budget Preparation and State Local Finance Officer Policy Manual* establishes several procedures to institute a strong internal control environment, including requiring receipts be deposited intact daily into a federally insured banking institution.

Recommendations

We recommend the Taylor County Judge/Executive and fiscal court strengthen internal controls to ensure daily check-outs are performed, receipts are processed daily, and money is deposited timely by off-site collection locations. We also recommend employee providing oversight should document this by signing or initialing the supporting documentation.

Views of Responsible Official and Planned Corrective Action

County Judge/Executive’s Response: Controls of receiving money is managed by the Animal Shelter Director. I will discuss with her better accountability of these monies and will make sure that the money received comes to the Treasurer weekly.

2025-004 The Taylor County Jail Does Not Have Adequate Controls Over The Commissary And Inmate Funds

Condition and Context

This is a repeat finding and was included in the prior year audit report as finding 2024-005. The Taylor County Jail failed to establish and implement adequate controls over the commissary and inmate accounts.

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

2025-004 The Taylor County Jail Does Not Have Adequate Controls Over The Commissary And Inmate Funds (Continued)

Condition and Context (Continued)

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

- The jail commissary annual financial statement presented to the fiscal court was incorrect and did not include all required information with the ending balance reconciled to the bank balance. The commissary report included non-commissary receipts of \$347,841 and non-commissary disbursements of \$389,493 that were paid from the account used as a depository for both commissary and inmate trust funds. The non-commissary transactions are related to funds collected from the inmates on behalf of the fiscal court.
- The jailer maintains one bank account for both inmate funds and commissary funds. This bank account was not being properly reconciled to show the separate ending balances for the inmate trust fund and the commissary fund. As a result, the inmate trust fund ending balance of \$1,665 was comingled with the commissary fund ending balance and not removed from the year-end report. In addition, the inmate trust fund ending balance was not properly reconciled to the total individual inmate balances.
- Inmate account deposits are not being made daily. Receipts for all seven days tested (February 2, 2025 to February 8, 2025) were not deposited to the bank until ten to fourteen days later.
- The jailer contracted inmate telecommunications services from one vendor totaling \$117,798 in fiscal year ending June 30, 2025, without obtaining bids.
- The jailer purchased nicotine products for use as commissary inventory from one vendor totaling \$113,255 in fiscal year ending June 30, 2025, without obtaining bids.
- The jailer purchased general commissary inventory items from one vendor totaling \$68,639 in fiscal year ending June 30, 2025, without obtaining bids.
- A lack of segregation of duties over jail commissary activity was noted. The jailer's bookkeeper collects cash and issues receipts, prepares and makes deposits, writes and signs checks, posts to receipt and disbursement ledgers, prepares bank reconciliations, and prepares reports. While the jailer tried to implement some compensating controls, they were not sufficient to prevent the findings noted above.

Cause

These deficiencies occurred because of the lack of sufficient supervisory review of the accounting process, including daily deposits, monthly bank reconciliations and year-end reports. In addition, the bookkeeper was unaware of the requirement to submit an annual commissary report to the county treasurer that included beginning balance and reconciliation to the ending bank balance, nor did she know she should be reconciling the inmate trust fund ending balance to the trust balances held for inmates. Failure to bid for inmate commissary purchases was allowed to occur due to lack of management oversight and understanding of the law. According to the jailer, the lack of segregation of duties is a result of a limited budget, which restricts the number of employees the jailer can hire or delegate duties to.

Effect

As a result of these deficiencies, the annual commissary report presented to the county treasurer was inaccurate and did not reflect actual receipts and disbursements of the jail commissary. By not properly reconciling the ending balance between inmate trust funds and jail commissary funds, the jail commissary lacks a clear view of its financial health. Further, proper reconciliation of the inmate trust fund is necessary to ensure that funds being held in trust for the inmates are available and are accounted for separately from jail commissary funds. Proper accounting of inmate trust funds also allows the jail to determine if inmate funds are abandoned money that may be transferred to the jail commissary fund. When deposits are not made timely, there is an increased risk of overdrawing the bank account and of misappropriation of funds.

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

2025-004 The Taylor County Jail Does Not Have Adequate Controls Over The Commissary And Inmate Funds (Continued)

Effect (Continued)

The jailer was also not in compliance with KRS 424.260 regarding bid requirements. The lack of segregation of duties and the lack of management review and oversight could result in undetected misappropriation of assets and has resulted in inaccurate financial reporting to the fiscal court.

Criteria

KRS 46.010(2) requires, “each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements.” KRS 46.010(3) requires, “all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires.” Segregation of duties and management’s thorough review of monthly bank reconciliations and year-end reports are basic internal controls necessary to ensure the accuracy and reliability of financial reports. Additionally, inmate trust fund deposits are custodial funds held in trust by the official and should be accounted for separately from the commissary funds, which belong to the jail.

KRS 441.135(2)(b) states, “[t]he jailer shall keep books of accounts of all receipts and disbursements from the canteen and shall annually report to the county treasurer on the canteen account.” Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in DLG’s *County Budget Preparation and State Local Finance Officer Policy Manual*. The minimum requirements established in the manual include daily checkout sheets, receipts journals, disbursements journals, and a year-to-date summary and reconciliation report. This report may be used for the year-end report submitted to the county treasurer pursuant to KRS 441.135(2). In addition, the manual requires daily deposits of receipts into a federally insured banking institution.

KRS 441.137(1) states, “[f]or any moneys in an inmate account or prisoner canteen account of a jail that are not returned to a prisoner at the time he or she is released from the jail, the jailer shall transmit a check for the balance of the moneys by first class mail to the released prisoner at his or her last known address. If the check is returned as undeliverable, then the jailer shall attempt to contact the prisoner at a telephone number on file, if any, to arrange the return of the moneys. If the moneys are not claimed after the jailer fulfills the requirements of this subsection, the moneys shall be presumed abandoned after one (1) year after the date the check is mailed or, if an attempt to call is made, the date of the phone call.” KRS 441.137(2) states “[a]ny abandoned moneys as set out in subsection (1) of this section shall, if in a prisoner account, be transferred into the canteen account if these are two (2) different accounts, or shall remain in the canteen account and be available for the purposes set out in KRS 441.135.”

KRS 424.260(1) states, “[e]xcept where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract, lease, or other agreement for:

- (a) Materials;
- (b) Supplies, except perishable foods such as meat, poultry, fish, egg products, fresh vegetables, and fresh fruits;
- (c) Equipment; or
- (d) Contractual services other than professional;

involving an expenditure of more than forty thousand dollars (\$40,000) without first making newspaper advertisement for bids.”

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

2025-004 The Taylor County Jail Does Not Have Adequate Controls Over The Commissary And Inmate Funds (Continued)

Criteria (Continued)

In addition, the Taylor County Administrative Code Section 8.2C requires “[a]ny expenditure or contract for materials, supplies (except perishable meat, fish, and vegetables), equipment, or for contractual services other than professional, involving an expenditure of more than Forty Thousand Dollars (\$40,000) shall be subject to competitive bidding. Except State Bid Pricing.”

Recommendations

We recommend the jailer comply with applicable state law by presenting an accurate financial statement to the county treasurer. The financial statement should be compiled using financial information from receipts and disbursement journals, with the ending balance reconciled to the bank balance, and properly reconciled to total inmate individual balances. The jailer should account for inmate deposits, which are custodial funds held in trust by the jail, separately from the canteen funds, which belong to the jail. We also recommend that the jailer make deposits intact daily. Furthermore, we recommend the jailer segregate incompatible duties over the accounting functions. If segregation of duties is not feasible due to lack of staff, we recommend the jailer implement and document compensating controls and supervisory review. Lastly, we recommend the jailer comply with state and county bidding requirements for disbursements over \$40,000.

Views of Responsible Official and Planned Corrective Action

Jailer's Response: Moving forward, an effort will be made to include additional controls in the maintenance of the commissary fund.

2025-005 The Taylor County Jailer Improperly Disbursed Routine Medical Fees From Commissary Fund

Condition and Context

The jailer made disbursements totaling \$116,120 from the commissary fund to the jail's medical services provider for medical care provided to the inmates. The base amount the jail pays under its contract with the medical services provider covers basic medical care and staffing at the jail. The jail paid the base amount through the budgeted funds appropriated by the fiscal court for medical care. However, the jailer used commissary funds to pay a monthly cost pool amount and overages due under the contract to reimburse outside providers for medical care, some of which may have been “necessary care.” Payment of a county inmate's necessary medical, dental and psychological care is the responsibility of the fiscal court. The jail commissary funds should only be expended to enhance the well-being of the inmates or the safety and security of the jail. No supporting documentation was maintained to determine if the disbursements from the commissary account to pay the cost pool amount and overages were for enhanced medical services for the inmates.

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

2025-005 The Taylor County Jailer Improperly Disbursed Routine Medical Fees From Commissary Fund (Continued)

Cause

The jail bookkeeper stated she believed medical services were allowed to be paid from the commissary fund. The jailer was not aware that necessary medical expenses, some of which may have been covered by the cost pool and cost pool overages, were not allowed to be paid from the commissary fund.

Effect

Expenditures for necessary medical expenses reduce funds that are available to benefit and enhance the well-being of prisoners or to enhance the safety and security within the jail.

Criteria

KRS 46.010(2) requires, “each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements.” KRS 46.010(3) requires, “all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires.” Strong internal controls over disbursements dictate oversight and procedures to ensure commissary disbursements are for allowable expenses.

KRS 441.135(2) requires that commissary profits be spent on items to benefit and enhance the well-being of the prisoners or to enhance safety and security within the jail.

KRS 441.045(3) states, “[e]xcept as provided in subsections (4) and (5) of this section, the cost of providing necessary medical, dental, and psychological care for indigent prisoners in the jail shall be from the jail budget.”

KRS 441.045(4) states, “[t]he cost of providing necessary medical, dental, or psychological care for prisoners of the United States government shall be paid as provided by contract between the United States government and county or as may otherwise be provided by federal law.”

KRS 441.045(5)(a) states, “[t]he cost of providing necessary medical, dental, or psychological care, beyond routine care and diagnostic services, for prisoners held pursuant to a contractual agreement with the state shall be paid as provided by contract between the state and county. The cost of providing necessary medical, dental, or psychological care, beyond routine care and diagnostic services, of prisoners held in jail for which the county receives a per diem payment shall be paid by the state.”

KRS 441.045(6) states, “[t]he cost of providing necessary medical, dental, or psychological care for prisoners held pursuant to a contractual agreement with another county or a city shall be paid as provided by contract between county or city and county.”

KRS 441.045(10) states, “[f]or the purposes of this section, ‘necessary care’ means care of a nonelective nature that cannot be postponed until after the period of confinement without hazard to the life or health of the prisoner.”

KRS 441.045(12) states, “[n]otwithstanding other provisions of this section to the contrary, a jail may impose a reasonable fee for the use of jail medical facilities by a prisoner who has the ability to pay for the medical care. These funds may be deducted from the prisoner's inmate account. A prisoner shall not be denied medical treatment because he or she has insufficient funds on his or her inmate account. This subsection shall not preclude other recovery of funds as provided in this section.”

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

2025-005 The Taylor County Jailer Improperly Disbursed Routine Medical Fees From Commissary Fund (Continued)

Recommendations

We recommend the jailer strengthen internal controls and management oversight to ensure the jailer does not pay for necessary medical expenses using the commissary fund in the future.

Views of Responsible Official and Planned Corrective Action

Jailer's Response: Alternate funds will be considered for medical costs to better align with KRS 441.135(2), 441.045(3), 441.045(4), and 441.045(5).