

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

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



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
ELLIOTT COUNTY OFFICIALS	5
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - REGULATORY BASIS.....	8
NOTES TO FINANCIAL STATEMENT.....	12
BUDGETARY COMPARISON SCHEDULES.....	31
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES	40
SCHEDULE OF CAPITAL ASSETS.....	43
NOTES TO OTHER INFORMATION - REGULATORY BASIS SCHEDULE OF CAPITAL ASSETS.....	44
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 <i>GOVERNMENT AUDITING STANDARDS</i>	47
SCHEDULE OF FINDINGS AND RESPONSES.....	51
APPENDIX A: CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	

THIS PAGE LEFT BLANK INTENTIONALLY



MIKE HARMON
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 Myron Lewis, Elliott County Judge/Executive
Members of the Elliott 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 Elliott County Fiscal Court, for the year ended June 30, 2023, and the related notes to the financial statement, which collectively comprise the Elliott 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 Elliott County Fiscal Court, for the year ended June 30, 2023, in accordance with accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Elliott County Fiscal Court, for the year ended June 30, 2023, or the changes in financial position and cash flows thereof for the year then ended.

Basis for Opinions

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statement

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Elliott County Fiscal Court's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Elliott County Fiscal Court's ability to continue as a going concern for a reasonable period of time.

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

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

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

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Elliott 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2023, on our consideration of the Elliott 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 Elliott County Fiscal Court's internal control over financial reporting and compliance.

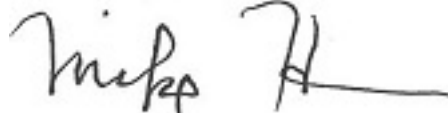
To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Myron Lewis, Elliott County Judge/Executive
Members of the Elliott County Fiscal Court

Other Reporting Required by *Government Auditing Standards* (Continued)

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

- 2023-001 The Elliott County Fiscal Court Did Not Have Controls In Place To Prevent An Error In Financial Reporting
- 2023-002 The Elliott County Fiscal Court Did Not Accurately Report Debt Liabilities

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts
Frankfort, Ky

November 29, 2023

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

Myron S. Lewis	County Judge/Executive
Emily Adkins	Magistrate
Mike Dickerson	Magistrate
Charles Whitt	Magistrate
Brian Dillon	Magistrate
Christopher Dickerson	Magistrate
Dewey Smith	Magistrate
Darren Newell	Magistrate

Other Elected Officials:

John D. Lewis	County Attorney
Dustin Kelley	Jailer
Jennifer Carter	County Clerk
Jason Ison	Circuit Court Clerk
Ray Craft	Sheriff
James Frazier	Property Valuation Administrator
Mark Lewis	Coroner

Appointed Personnel:

Crystal Lyons	County Treasurer
---------------	------------------

THIS PAGE LEFT BLANK INTENTIONALLY

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

For The Year Ended June 30, 2023

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

For The Year Ended June 30, 2023

	<u>Budgeted Funds</u>		
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
RECEIPTS			
Taxes	\$ 1,128,187	\$	\$
In Lieu Tax Payments	23,033		
Licenses and Permits	2,488		
Intergovernmental	819,822	2,687,682	137,588
Charges for Services	420		
Miscellaneous	258,668	4,928	
Interest	1,254	1,181	70
Total Receipts	<u>2,233,872</u>	<u>2,693,791</u>	<u>137,658</u>
DISBURSEMENTS			
General Government	1,550,623		
Protection to Persons and Property	45,680		417,001
General Health and Sanitation	118,725		
Recreation and Culture	30,911		
Roads		2,620,094	
Debt Service	90,039	1,545,045	
Administration	439,618	128,834	18,779
Total Disbursements	<u>2,275,596</u>	<u>4,293,973</u>	<u>435,780</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(41,724)</u>	<u>(1,600,182)</u>	<u>(298,122)</u>
Other Adjustments to Cash (Uses)			
Financing Obligation Proceeds		123,283	
Transfers From Other Funds	1,451,554	447,722	310,000
Transfers To Other Funds	(780,722)	(254,489)	
Total Other Adjustments to Cash (Uses)	<u>670,832</u>	<u>316,516</u>	<u>310,000</u>
Net Change in Fund Balance	629,108	(1,283,666)	11,878
Fund Balance - Beginning (Restated)	<u>304,152</u>	<u>1,435,197</u>	<u>31,591</u>
Fund Balance - Ending	<u>\$ 933,260</u>	<u>\$ 151,531</u>	<u>\$ 43,469</u>
Composition of Fund Balance			
Bank Balance	\$ 998,760	\$ 180,632	\$ 45,441
Less: Outstanding Checks	<u>(65,500)</u>	<u>(29,101)</u>	<u>(1,972)</u>
Fund Balance - Ending	<u>\$ 933,260</u>	<u>\$ 151,531</u>	<u>\$ 43,469</u>

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

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

Budgeted Funds					
Local Government Economic Assistance Fund	Federal Grant Fund	Forest Fire Fund	911 Fund	Opioid Settlement Fund	Community Development Block Grant Fund
\$	\$	\$ 2,223	\$ 119,278	\$	\$
94,031	780,045		158,897		
				67,366	
55	1,381	15	52		
<u>94,086</u>	<u>781,426</u>	<u>2,238</u>	<u>278,227</u>	<u>67,366</u>	
9,449					
	50,000	1,278	216,395		
34,033					
8,150			56,713	44	45
<u>51,632</u>	<u>50,000</u>	<u>1,278</u>	<u>273,108</u>	<u>44</u>	<u>45</u>
42,454	731,426	960	5,119	67,322	(45)
20,000			2,500		500
	(1,197,065)				
<u>20,000</u>	<u>(1,197,065)</u>		<u>2,500</u>		<u>500</u>
62,454	(465,639)	960	7,619	67,322	455
3,099	481,183	7,031	26,411		
<u>\$ 65,553</u>	<u>\$ 15,544</u>	<u>\$ 7,991</u>	<u>\$ 34,030</u>	<u>\$ 67,322</u>	<u>\$ 455</u>
\$ 65,807	\$ 15,544	\$ 7,991	\$ 34,277	\$ 67,322	\$ 455
(254)			(247)		
<u>\$ 65,553</u>	<u>\$ 15,544</u>	<u>\$ 7,991</u>	<u>\$ 34,030</u>	<u>\$ 67,322</u>	<u>\$ 455</u>

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

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

	<u>Unbudgeted Fund</u>	
	Public Properties Corporation Fund	Total Funds
	<u>Fund</u>	<u>Funds</u>
RECEIPTS		
Taxes	\$	\$ 1,249,688
In Lieu Tax Payments		23,033
Licenses and Permits		2,488
Intergovernmental	156,000	4,834,065
Charges for Services		420
Miscellaneous		330,962
Interest	320	4,328
Total Receipts	<u>156,320</u>	<u>6,444,984</u>
DISBURSEMENTS		
General Government		1,560,072
Protection to Persons and Property		730,354
General Health and Sanitation		152,758
Recreation and Culture		30,911
Roads		2,620,094
Debt Service	156,000	1,791,084
Administration		652,183
Total Disbursements	<u>156,000</u>	<u>7,537,456</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>320</u>	<u>(1,092,472)</u>
Other Adjustments to Cash (Uses)		
Bond Proceeds		123,283
Transfers From Other Funds		2,232,276
Transfers To Other Funds		<u>(2,232,276)</u>
Total Other Adjustments to Cash (Uses)		<u>123,283</u>
Net Change in Fund Balance	320	(969,189)
Fund Balance - Beginning (Restated)	<u>8,646</u>	<u>2,297,310</u>
Fund Balance - Ending	<u>\$ 8,966</u>	<u>\$ 1,328,121</u>
Composition of Fund Balance		
Bank Balance	\$ 8,966	\$ 1,425,195
Less: Outstanding Checks		<u>(97,074)</u>
Fund Balance - Ending	<u>\$ 8,966</u>	<u>\$ 1,328,121</u>

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

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENT**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	12
NOTE 2.	DEPOSITS	14
NOTE 3.	TRANSFERS	15
NOTE 4.	AMBULANCE SERVICE RECEIVABLE.....	15
NOTE 5.	LEASES	15
NOTE 6.	LONG-TERM DEBT	19
NOTE 7.	EMPLOYEE RETIREMENT SYSTEM	24
NOTE 8.	DEFERRED COMPENSATION.....	28
NOTE 9.	INSURANCE.....	28
NOTE 10.	TAX ABATEMENT	28
NOTE 11.	PRIOR PERIOD ADJUSTMENTS	28

**ELLIOTT COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2023

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Basis of Accounting

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

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

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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

Federal Grant Fund - The primary purpose of this fund is to account for the receipt and disbursement of federal funds received due to COVID-19.

Forest Fire Fund - The primary purpose of this fund is to account for forest fire tax proceeds and remittance to the state.

911 Fund - The primary purpose of this fund is to account for dispatch expenses of the county. The primary source of receipts for this fund is the 911 telephone surcharge.

Opioid Settlement Fund - The primary purpose of this fund is to account for funds used to combat the county's opioid crisis. Receipts of this fund are received from the state as a result of the state's agreement with major opioid manufacturers and distributors.

Community Development Block Grant (CDBG) Fund - The primary purpose of this fund is to account for receipts and disbursements for a Community Development Block Grant from the federal government. This fund was closed in the current year.

Unbudgeted Fund

The fiscal court reports the following unbudgeted fund:

Public Properties 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 public buildings.

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

E. Elliott County Elected Officials

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

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

F. Deposits

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

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

G. Long-term Obligations

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

Note 2. Deposits

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

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

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of the *DLG County Budget Preparation and State Local Finance Officer Policy Manual*. As of June 30, 2023, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Transfers

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

	General Fund	Road Fund	Federal Grant Fund	Total Transfers In
General Fund	\$	\$ 254,489	\$ 1,197,065	\$ 1,451,554
Road Fund	447,722			447,722
Jail Fund	310,000			310,000
LGEA Fund	20,000			20,000
911 Fund	2,500			2,500
CDBG Fund	500			500
Total Transfers Out	<u>\$ 780,722</u>	<u>\$ 254,489</u>	<u>\$ 1,197,065</u>	<u>\$ 2,232,276</u>

Reason for transfers:

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

Note 4. Ambulance Service Receivable

On April 24, 2018, the Elliott County Fiscal Court entered into an agreement with the Elliott County Ambulance Service to execute a promissory note with First National Bank in the amount of \$274,018 to purchase two ambulances and pay off an existing obligation with Kentucky Bank. The agreement requires the ambulance service to make principal and interest payments according to the payment schedule contained in the agreement. (See Note 6.A.1.)

Note 5. Leases

A. Lessor

1. Workforce

During the fiscal year ending June 30, 2023, the Elliott County Fiscal Court began leasing office space at the Rocky J. Adkins Public Library to the Kentucky Department of Workforce Development. The lease is on a yearly basis and the fiscal court will receive \$1,500 in quarterly payments. The Elliott County Fiscal Court recognized \$4,500 in lease revenue during the current fiscal year related to this lease. As of June 30, 2023, the Elliott County Fiscal Court's receivable for lease payments was \$1,500.

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

Note 5. Leases (Continued)

A. Lessor (Continued)

2. Administrative Office of the Courts (AOC)

On April 27, 2022, the Elliott County Fiscal Court entered into a lease agreement with Administrative Office of the Courts (AOC) for occupancy of office space in the Elliott County courthouse. The lease was for one fiscal year and Elliott County would receive quarterly payments. Elliott County recognized \$72,807 in lease revenue during the current fiscal year related to this lease. As of June 30, 2023, the Elliott County Fiscal Court's receivable for lease payments was \$0.

3. Northeast

During the fiscal year ended June 30, 2023, the Elliott County Fiscal Court began leasing office space at the Rocky J. Adkins Public Library to the Northeast Kentucky Community Action Agency. The lease is on a yearly basis and the fiscal court will receive \$3,000 in lease revenue during the current fiscal year related to this lease. As of June 30, 2023, the Elliott County Fiscal Court's receivable for lease payments was \$0.

4. Adult Ed

During the fiscal year ended June 30, 2023, the Elliott County Fiscal Court began leasing office space at the Rocky J. Adkins Public Library to the Elliott County Adult Education. The lease is on a yearly basis and the fiscal court will receive \$2,400 in one annual payment. The Elliott County Fiscal Court recognized \$2,400 in lease revenue during the current fiscal year related to this lease. As of June 30, 2023, the Elliott County Fiscal Court's receivable for lease payments is \$0.

5. KY Homeplace

During the fiscal year ended June 30, 2023, the Elliott County Fiscal Court entered into a donated space agreement with the University of Kentucky Homeplace Program. The donated space will be at the Elliott County Senior Citizen's Building. The agreement is for five (5) years, automatically renewable for one (1) year terms for a maximum of five (5) years. If not terminated before the end of the fifth term a new agreement will be executed. The Elliott County Fiscal Court will receive \$1,200 in quarterly utility payments. The fiscal court recognized \$4,800 in lease revenue during the current fiscal year related to this lease. As of June 30, 2023, the Elliott County Fiscal Court's receivable for lease payments was \$0.

B. Lessee

1. 911 Tower

On May 8, 1986, the Elliott County Fiscal Court entered into a 50-year lease agreement with a third party for the purpose of the construction and maintenance of tower and radio communications equipment and the right to construct and maintain an access road to the tower site. On August 24, 2021, the third party assigned and transferred the right, title, and interest of the tower and radio communications equipment at the tower site over to the Elliott County Fiscal Court through an assignment of lease, where it was considered a gift and no monetary consideration whatsoever.

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

Note 5. Leases (Continued)

B. Lessee (Continued)

2. 2022 Ram 2500

On January 24, 2023, the Elliott County Fiscal Court entered into a five-year lease agreement as lessee for the use of a 2022 Ram 2500. An initial lease liability was recorded in the amount of \$64,607 during the current fiscal year. As of June 30, 2023, the value of the lease liability was \$71,083. The Elliott County Fiscal Court is required to make monthly payments of \$1,292 which includes principal, interest, management and maintenance fees. The remaining lease payments as of June 30, 2023, were as follows:

Fiscal Year Ended June 30	Amount
2024	\$ 15,509
2025	15,509
2026	15,509
2027	15,509
2028	<u>9,047</u>
Total Lease Payments	<u>\$ 71,083</u>

3. 2022 Chevrolet Silverado 1500

On January 1, 2023, the Elliott County Fiscal Court entered into a five-year lease agreement as lessee for the use of a 2022 Chevrolet Silverado 1500. An initial lease liability was recorded in the amount of \$51,788 during the current fiscal year. As of June 30, 2023, the value of the lease liability was \$53,222. The Elliott County Fiscal Court is required to make monthly payments of \$986 which includes principal, interest, management and maintenance fees. The remaining lease payments as of June 30, 2023, were as follows:

Fiscal Year Ended June 30	Amount
2024	\$ 11,827
2025	11,827
2026	11,827
2027	11,827
2028	<u>5,914</u>
Total Lease Payments	<u>\$ 53,222</u>

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

Note 5. Leases (Continued)

B. Lessee (Continued)

4. 2022 Chevrolet Silverado 2500HD

On January 30, 2023, the Elliott County Fiscal Court entered into a five-year lease agreement as lessee for the use of a 2022 Chevrolet Silverado 2500HD. An initial lease liability was recorded in the amount of \$59,379 during the current fiscal year. As of June 30, 2023, the value of the lease liability was \$67,641. The Elliott County Fiscal Court is required to make monthly payments of \$1,230 which includes principal, interest, management and maintenance fees. The remaining lease payments as of June 30, 2023, were as follows:

Fiscal Year Ended June 30	Amount
2024	\$ 14,758
2025	14,758
2026	14,758
2027	14,758
2028	<u>8,609</u>
Total Lease Payments	<u>\$ 67,641</u>

5. 2022 Ram 3500

On February 16, 2023, the Elliott County Fiscal Court entered into a five-year lease agreement as lessee for the use of a 2022 Ram 3500. An initial lease liability was recorded in the amount of \$60,600 during the current fiscal year. As of June 30, 2023, the value of the lease liability was \$72,282. The Elliott County Fiscal Court is required to make monthly payments of \$1,291 which includes principal, interest, management and maintenance fees. The remaining lease payments as of June 30, 2023, were as follows:

Fiscal Year Ended June 30	Amount
2024	\$ 15,489
2025	15,489
2026	15,489
2027	15,789
2028	<u>10,326</u>
Total Lease Payments	<u>\$ 72,582</u>

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

Note 6. Long-term Debt

A. Direct Borrowings and Direct Placements

1. Ambulance Service

On April 24, 2018, the Elliott County Fiscal Court entered into a commercial guaranty on a promissory note between the Elliott County Ambulance Service, Inc. and First National Bank in the amount of \$274,018 to purchase two ambulances. The commercial guaranty is collateralized by an Interlocal Agreement for Provision of Elliott County Ambulance Service Equipment dated April 17, 2018 between the Elliott County Ambulance Service and the Elliott County Fiscal Court. The promissory note is collateralized by the two ambulances purchased, including accessories. Annual principal and interest payments are due each April beginning in 2019. If an event of default occurs under this agreement, at any time thereafter, the lender shall have all the rights of a secured party under the Kentucky Uniform Commercial Code. In addition, and without limitation, the lender may exercise any one or more rights and remedies as listed in the Commercial Security Agreement. As of June 30, 2023, the lease principal was paid in full.

2. Flood Damage Repair

On April 13, 2021, the Elliott County Fiscal Court entered into an agreement with Kentucky Association of Counties for the repair of flood damaged roads and other county properties in the amount of \$500,000. No principal or interest will be collected through June 30, 2022, nor will any interest accrue through that date. Beginning July 1, 2022, the annual rate of interest will be 3.74%. Monthly principal and interest payments will commence on July 20, 2022, and are payable until maturity at June 20, 2027. Whenever any event of default has occurred or is continuing, the lessor may, without any further demand or notice, take one of any combination of the remedial steps listed in the agreement. As of June 30, 2023, the note principal was \$407,325. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2024	\$ 96,200	\$ 13,596
2025	99,861	9,936
2026	103,660	6,136
2027	<u>107,604</u>	<u>2,192</u>
Totals	<u>\$ 407,325</u>	<u>\$ 31,860</u>

3. Courthouse Renovation

On September 27, 2001, the Elliott County Fiscal Court entered into a lease agreement with the Kentucky Area Development Districts Financing Trust (KADD) to finance the completion of the renovation of the courthouse facility in the amount of \$249,000. The agreement requires two semiannual interest payments at a rate of 5.60% be made in March and September of each year. Principal payments are due in September of each year.

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

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

3. Courthouse Renovation (Continued)

In the event of default, the lessor will (a.) terminate the lease term and give notice to the lessee to vacate or surrender the project within 60 days from the date of such notice; (b.) sell or re-lease the project or any portion thereof; (c.) declare an amount equal to all base rentals and additional rentals under this lease to be immediately due and payable, whereupon the amount shall become immediately due and payable; or (d.) take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the project under the lease and any collateral documents (including, without limitation, the right to possession of the project and the right to sell or re-lease or otherwise dispose of the project in accordance with applicable law and to appoint a receiver to operate the project) and to recover damages for the breach thereof. No remedy herein conferred upon or reserved to the lessor is intended to be exclusive, and every such remedy will be cumulative and will be in addition to every other remedy given hereunder and every remedy now or hereafter existing at law or in equity. No delay or omission to exercise any right or power occurring upon any default will impair any such right or power and any such right and power may be exercised from time to time and as often as may be deemed expedient. If any agreement contained herein should be breached by either party and thereafter waived by the other party, such waiver will be limited to the particular breach so waived and will not be deemed to waive any other breach hereunder.

The lessee will remain liable for all covenants and obligations under the lease, and for all legal fees and other costs and expenses, including court costs awarded by a court of competent jurisdiction, incurred by the lessor with respect to the enforcement of any of the remedies under this lease, when a court of competent jurisdiction has finally adjudicated that an event of default has occurred. As of June 30, 2023, the lease principal was \$60,000. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2024	\$ 15,000	\$ 4,440
2025	15,000	3,600
2026	15,000	2,760
2027	15,000	1,170
Totals	<u>\$ 60,000</u>	<u>\$ 11,970</u>

4. Mack Truck

On October 28, 2021, the Elliott County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties (KACo) to finance the purchase of a Mack Truck in the amount of \$92,339. Principal and interest payments are due monthly commencing December 20, 2021 with a maturity date of November 20, 2024. The interest rate is fixed at 3.74%. Whenever any event of default has occurred and is continuing, the lessor may, without any further demand or notice, take one of any combination of the remedial steps listed in the agreement.

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

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

4. Mack Truck (Continued)

As of June 30, 2023, the principal balance remaining was \$70,076. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2024	\$ 14,963	\$ 2,366
2025	55,113	819
Totals	<u>\$ 70,076</u>	<u>\$ 3,185</u>

5. Ice Storm

On December 8, 2021, the Elliott County Fiscal Court entered into a drawdown agreement with Republic Bank & Trust Company with Kentucky Association of Counties Leasing Trust (KACo) as administrator for the purpose of funding road projects to be reimbursed by the Federal Emergency Management Agency of the United States Department of Homeland Security with a maximum drawdown of \$3,221,444. As of June 30, 2023, one draw in the amount of \$1,493,805 had been made. Principal payments were due on July 20, 2022 and December 20, 2023. Monthly interest payments at a rate of 3.25% commence on January 20, 2022 with a maturity date of December 20, 2023. Upon the occurrence of an event of default, and as long as the event of default is continuing, the lessor may, at its option, exercise any one or more of the remedies listed in the agreement, to whichever the event of default pertains.

As of June 30, 2023, the principal balance remaining was \$261,879. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2024	\$ 261,879	\$ 4,981
Totals	<u>\$ 261,879</u>	<u>\$ 4,981</u>

6. Mack Truck - 2023

On March 29, 2023, the Elliott County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties (KACo) to finance the purchase of a Mack Truck in the amount of \$123,283. Principal and interest payments are due monthly commencing May 20, 2023 with a maturity date of March 20, 2026. The interest rate is fixed at 5.99%. Whenever any event of default has occurred and is continuing, the lessor may, without any further demand or notice, take one of any combination of the remedial steps listed in the agreement.

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

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

6. Mack Truck - 2023 (Continued)

As of June 30, 2023, the principal balance remaining was \$120,557. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2024	\$ 20,997	\$ 6,651
2025	22,289	5,358
2026	77,271	3,123
Totals	<u>\$ 120,557</u>	<u>\$ 15,132</u>

B. Other Debt

1. First Mortgage Refunding Revenue Bonds, Courthouse Renovation

On November 16, 2006, Elliott County Properties, Incorporated, a component unit of the Elliott County Fiscal Court, issued \$1,770,000 in First Mortgage Revenue Bonds, Series 2006, for the purpose of defeasing the First Mortgage Revenue Bonds, Series 2000. The 2000 series bonds were issued to renovate the existing courthouse facility. On May 1, 2000, the county entered into a lease agreement with the Administrative Office of the Courts (AOC) in order to provide funding to meet annual debt service requirements. Commencing March 1, 2007, semi-annual interest payments at variable rates are payable in September and March each year. Annual principal payments are payable commencing March 1, 2007. Should AOC fail to pay the stipulated rentals due under the leases, or during any biennial period for which it is renewed, all rights of AOC and all future options granted to AOC or the county in respect of payments in whole of the bonds will in any event remain in full force and effect; provided that the trustee under the mortgage will, upon occurrence of an event of default, be entitled to take certain actions for the benefit of the holders of the bonds, including foreclosure of the mortgage lien on the project and decretal sale thereof, but no such decretal sale will result or give rise to a deficiency judgement of any type or in any amount against AOC, the county of the corporation, and until such sale AOC or the county may at any time by the discharge of the bonds and interest thereon receive an unencumbered fee simple title to the project site and the project. As of June 30, 2023, the principal balance was paid in full.

2. Financing Program Revenue Bonds – 2020 First Series C

On August 20, 2020, the Elliott County Fiscal Court entered into an agreement with Kentucky Association of Counties (KACo) to issue bonds to finance the acquisition of a backhoe, an excavator, and the refinancing of a prior KACo financing obligation in the amount of \$500,000. Semi-annual interest payments at a rate of 1.19% commenced on December 20, 2020. Annual principal payments commenced on December 20, 2022 and continue until maturity on December 20, 2029.

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

Note 6. Long-term Debt (Continued)

B. Other Debt (Continued)

2. Financing Program Revenue Bonds – 2020 First Series C (Continued)

Whenever any event of default has occurred and is continuing, the lessor may, without further demand or notice, take one or any combination of the remedial steps listed in the agreement. The lessee will remain liable for all covenants and obligations under this lease, and for all legal fees and other costs and expenses, including court costs awarded by a court of competent jurisdiction, incurred by the lessor with respect to the enforcement of any of the remedies under this lease, when a court of competent jurisdiction has finally adjudicated that an event of default has occurred.

As of June 30, 2023, principal balance remaining was \$455,000. Further lease principal and interest payments are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2024	\$ 50,000	\$ 14,587
2025	50,000	12,462
2026	55,000	10,238
2027	60,000	7,800
2028	80,000	4,850
2029	160,000	4,013
Totals	<u>\$ 455,000</u>	<u>\$ 53,950</u>

C. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2023, was as follows:

	Beginning Balance (Restated)*	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 2,212,849	\$ 123,283	\$ 1,416,295	\$ 919,837	\$ 409,039
General Obligation Bonds	500,000		45,000	455,000	50,000
Revenue Bonds	150,000		150,000		
Total Long-term Debt	<u>\$ 2,862,849</u>	<u>\$ 123,283</u>	<u>\$ 1,611,295</u>	<u>\$ 1,374,837</u>	<u>\$ 459,039</u>

*The beginning balance of Direct Borrowings and Direct Placements was increased \$336 due to a prior year error.

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

Note 6. Long-term Debt (Continued)

D. Aggregate Debt Schedule

The amount of required principal and interest payments on long-term obligations at June 30, 2023, were as follows:

Fiscal Year Ended June 30	Other Debt		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2024	\$ 50,000	\$ 14,587	\$ 409,039	\$ 32,034
2025	50,000	12,462	192,263	19,713
2026	55,000	10,238	195,931	12,019
2027	60,000	7,800	122,604	3,362
2028	80,000	4,850		
2029	160,000	4,013		
Totals	<u>\$ 455,000</u>	<u>\$ 53,950</u>	<u>\$ 919,837</u>	<u>\$ 67,128</u>

Note 7. Employee Retirement System

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (Ky. Ret. Sys.). 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 Pensions Authority (KPPA) was created by KRS 61.505 to provide staffing and daily administrative needs for CERS and Ky. Ret. Sys. The CERS nine (9) member board of trustees is responsible for the governance of the CERS pension and insurance plans.

The county's contribution for FY 2021 was \$244,419, FY 2022 was \$279,761, and FY 2023 was \$350,030.

Nonhazardous

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

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

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

Note 7. Employee Retirement System (Continued)

Nonhazardous (Continued)

The employer contribution rate is set annually by the Ky. Ret. Sys. Board of Directors based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4 percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

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

The county's contribution rate for nonhazardous employees was 26.79 percent.

Hazardous

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

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

Members in the plan contribute a set percentage of their salary each month to their own accounts. Hazardous members contribute 8 percent of their annual creditable compensation and also contribute 1 percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board of Directors based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A hazardous member's account is credited with a 7.5 percent 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 49.59 percent.

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

Note 7. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

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

Hazardous employees whose participation began on or after July 1, 2003, earn 15 dollars 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 ten dollars 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 ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually by 1.5 percent. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

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

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

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

Note 7. 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 fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually by 1.5 percent. Upon the death of a hazardous employee, the employee's spouse receives ten dollars 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 percent 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 percent. The COLA is not a guaranteed benefit. If a retiree has been receiving a benefit for less than 12 months, and a COLA is provided, it will be prorated based on the number of months the recipient has been receiving a benefit.

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.

Ky. Ret. Sys. Annual Financial Report and Proportionate Share Audit Report

Ky. Ret. Sys. 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.

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.

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

Note 8. Deferred Compensation

The Elliott 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 9. Insurance

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

Note 10. Tax Abatement

The ad valorem and tangible property taxes collected relating to businesses located in Eastpark were abated under the authority of the Interlocal Cooperation Act dated June 11, 1998, amended May 15, 2017. The Northeast Kentucky Regional Industrial Authority is eligible to receive this tax abatement due to the Interlocal Cooperation Act Amended Revenue Distribution Section. The amount of the tax abatement is not readily available.

Note 11. Prior Period Adjustments

- The beginning balance in the general fund was increased \$251 due to voided prior year outstanding checks.
- The beginning balance in the road fund was increased \$1,132 due to voided prior year outstanding checks.
- The beginning balance in the jail fund was increased \$175 due to voided prior year outstanding checks.

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

For The Year Ended June 30, 2023

THIS PAGE LEFT BLANK INTENTIONALLY

ELLIOTT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2023

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,020,500	\$ 1,071,989	\$ 1,128,187	\$ 56,198
In Lieu Tax Payments	21,200	21,200	23,033	1,833
Licenses and Permits	2,000	2,074	2,488	414
Intergovernmental	625,065	679,862	819,822	139,960
Charges for Services		420	420	
Miscellaneous	320,777	391,397	258,668	(132,729)
Interest	20	810	1,254	444
Total Receipts	<u>1,989,562</u>	<u>2,167,752</u>	<u>2,233,872</u>	<u>66,120</u>
DISBURSEMENTS				
General Government	977,670	1,762,888	1,550,623	212,265
Protection to Persons and Property	50,256	48,306	45,680	2,626
General Health and Sanitation	94,686	123,186	118,725	4,461
Recreation and Culture	38,080	34,812	30,911	3,901
Debt Service	240,037	142,887	90,039	52,848
Administration	439,107	448,626	439,618	9,008
Total Disbursements	<u>1,839,836</u>	<u>2,560,705</u>	<u>2,275,596</u>	<u>285,109</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>149,726</u>	<u>(392,953)</u>	<u>(41,724)</u>	<u>351,229</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	223,214	685,587	1,451,554	765,967
Transfers To Other Funds	<u>(422,940)</u>	<u>(595,722)</u>	<u>(780,722)</u>	<u>(185,000)</u>
Total Other Adjustments to Cash (Uses)	<u>(199,726)</u>	<u>89,865</u>	<u>670,832</u>	<u>580,967</u>
Net Change in Fund Balance	(50,000)	(303,088)	629,108	932,196
Fund Balance - Beginning (Restated)	<u>50,000</u>	<u>303,588</u>	<u>304,152</u>	<u>564</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 500</u>	<u>\$ 933,260</u>	<u>\$ 932,760</u>

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

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 3,272,533	\$ 2,883,758	\$ 2,687,682	\$ (196,076)
Miscellaneous	905	5,428	4,928	(500)
Interest	50	922	1,181	259
Total Receipts	<u>3,273,488</u>	<u>2,890,108</u>	<u>2,693,791</u>	<u>(196,317)</u>
DISBURSEMENTS				
Roads	1,299,664	2,638,876	2,620,094	18,782
Debt Service	1,797,784	1,489,184	1,545,045	(55,861)
Administration	145,766	153,174	128,834	24,340
Total Disbursements	<u>3,243,214</u>	<u>4,281,234</u>	<u>4,293,973</u>	<u>(12,739)</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>30,274</u>	<u>(1,391,126)</u>	<u>(1,600,182)</u>	<u>(209,056)</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds			123,283	123,283
Transfers From Other Funds	172,940	272,722	447,722	175,000
Transfers To Other Funds	(223,214)	(254,989)	(254,489)	500
Total Other Adjustments to Cash (Uses)	<u>(50,274)</u>	<u>17,733</u>	<u>316,516</u>	<u>298,783</u>
Net Change in Fund Balance	(20,000)	(1,373,393)	(1,283,666)	89,727
Fund Balance - Beginning (Restated)	<u>20,000</u>	<u>1,373,393</u>	<u>1,435,197</u>	<u>61,804</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 151,531</u>	<u>\$ 151,531</u>

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

	JAIL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 128,250	\$ 133,596	\$ 137,588	\$ 3,992
Interest	5	44	70	26
Total Receipts	<u>128,255</u>	<u>133,640</u>	<u>137,658</u>	<u>4,018</u>
DISBURSEMENTS				
Protection to Persons and Property	329,180	426,746	417,001	9,745
Administration	30,075	38,485	18,779	19,706
Total Disbursements	<u>359,255</u>	<u>465,231</u>	<u>435,780</u>	<u>29,451</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(231,000)</u>	<u>(331,591)</u>	<u>(298,122)</u>	<u>33,469</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	230,000	300,000	310,000	10,000
Total Other Adjustments to Cash (Uses)	<u>230,000</u>	<u>300,000</u>	<u>310,000</u>	<u>10,000</u>
Net Change in Fund Balance	(1,000)	(31,591)	11,878	43,469
Fund Balance - Beginning (Restated)	<u>1,000</u>	<u>31,591</u>	<u>31,591</u>	<u></u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 43,469</u>	<u>\$ 43,469</u>

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

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 9,700	\$ 94,809	\$ 94,031	\$ (778)
Interest	5	20	55	35
Total Receipts	<u>9,705</u>	<u>94,829</u>	<u>94,086</u>	<u>(743)</u>
DISBURSEMENTS				
General Government	8,320	9,820	9,449	371
General Health and Sanitation	15,355	36,654	34,033	2,621
Administration	<u>6,130</u>	<u>71,454</u>	<u>8,150</u>	<u>63,304</u>
Total Disbursements	<u>29,805</u>	<u>117,928</u>	<u>51,632</u>	<u>66,296</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(20,100)</u>	<u>(23,099)</u>	<u>42,454</u>	<u>65,553</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	
Total Other Adjustments to Cash (Uses)	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	
Net Change in Fund Balance	(100)	(3,099)	62,454	65,553
Fund Balance - Beginning	<u>100</u>	<u>3,099</u>	<u>3,099</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 65,553</u>	<u>\$ 65,553</u>

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

	FEDERAL GRANT FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 730,045	\$ 780,045	\$ 780,045	\$
Interest		730	1,381	651
Total Receipts	<u>730,045</u>	<u>780,775</u>	<u>781,426</u>	<u>651</u>
DISBURSEMENTS				
Protection to Persons and Property		55,000	50,000	5,000
Administration	730,045	1,542,827		1,542,827
Total Disbursements	<u>730,045</u>	<u>1,597,827</u>	<u>50,000</u>	<u>1,547,827</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>(817,052)</u>	<u>731,426</u>	<u>1,548,478</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds		(430,598)	(1,197,065)	(766,467)
Total Other Adjustments to Cash (Uses)		<u>(430,598)</u>	<u>(1,197,065)</u>	<u>(766,467)</u>
Net Change in Fund Balance		(1,247,650)	(465,639)	782,011
Fund Balance - Beginning		<u>481,183</u>	<u>481,183</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (766,467)</u>	<u>\$ 15,544</u>	<u>\$ 782,011</u>

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

	FOREST FIRE FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 2,200	\$ 2,200	\$ 2,223	\$ 23
Interest	1	1	15	14
Total Receipts	<u>2,201</u>	<u>2,201</u>	<u>2,238</u>	<u>37</u>
DISBURSEMENTS				
Protection to Persons and Property	2,400	2,400	1,278	1,122
Administration	4,801	4,801		4,801
Total Disbursements	<u>7,201</u>	<u>7,201</u>	<u>1,278</u>	<u>5,923</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(5,000)</u>	<u>(5,000)</u>	<u>960</u>	<u>5,960</u>
Net Change in Fund Balance	(5,000)	(5,000)	960	5,960
Fund Balance - Beginning	<u>5,000</u>	<u>5,000</u>	<u>7,031</u>	<u>2,031</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7,991</u>	<u>\$ 7,991</u>

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

	911 FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 120,000	\$ 120,000	\$ 119,278	\$ (722)
Intergovernmental	120,000	134,863	158,897	24,034
Interest	5	31	52	21
Total Receipts	<u>240,005</u>	<u>254,894</u>	<u>278,227</u>	<u>23,333</u>
DISBURSEMENTS				
Protection to Persons and Property	204,000	225,305	216,395	8,910
Administration	<u>56,000</u>	<u>58,500</u>	<u>56,713</u>	<u>1,787</u>
Total Disbursements	<u>260,000</u>	<u>283,805</u>	<u>273,108</u>	<u>10,697</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(19,995)</u>	<u>(28,911)</u>	<u>5,119</u>	<u>34,030</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds		2,500	2,500	
Total Other Adjustments to Cash (Uses)		<u>2,500</u>	<u>2,500</u>	
Net Change in Fund Balance	(19,995)	(26,411)	7,619	34,030
Fund Balance - Beginning	<u>19,995</u>	<u>26,411</u>	<u>26,411</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 34,030</u>	<u>\$ 34,030</u>

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

OPIOID SETTLEMENT FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$	67,366	\$ 67,366	\$
Total Receipts		67,366	67,366	
DISBURSEMENTS				
Administration		67,366	44	67,322
Total Disbursements		67,366	44	67,322
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			67,322	67,322
Net Change in Fund Balance			67,322	67,322
Fund Balance - Beginning				
Fund Balance - Ending	\$	0	\$ 67,322	\$ 67,322

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

COMMUNITY DEVELOPMENT BLOCK GRANT FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
DISBURSEMENTS				
Administration	\$	\$ 1,000	\$ 45	\$ 955
Total Disbursements		1,000	45	955
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(1,000)	(45)	955
Other Adjustments to Cash (Uses)				
Transfers From Other Funds		500	500	
Total Other Adjustments to Cash (Uses)		500	500	
Net Change in Fund Balance		(500)	455	955
Fund Balance - Beginning				
Fund Balance - Ending	\$	0	\$ 455	\$ 955

ELLIOTT COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2023

Note 1. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting 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.

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

For The Year Ended June 30, 2023

THIS PAGE LEFT BLANK INTENTIONALLY

ELLIOTT COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2023

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance (Restated*)	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 318,000	\$	\$	\$ 318,000
Construction In Progress	12,840	63,817		76,657
Buildings	4,826,751	53,662		4,880,413
Vehicles	687,768	199,872	87,407	800,233
Equipment	1,120,680	39,924	12,400	1,148,204
Infrastructure	8,679,995	1,724,273		10,404,268
Total Capital Assets	<u>\$ 15,646,034</u>	<u>\$ 2,081,548</u>	<u>\$ 99,807</u>	<u>\$ 17,627,775</u>

* The beginning balance for land and land improvements was increased \$16,000 due to a prior year omission. The beginning balance for buildings was reduced \$38,291 and infrastructure was increased \$38,291 due to a prior year posting error.

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

June 30, 2023

Note 1. Capital Assets

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

	<u>Capitalization Threshold</u>	<u>Useful Life (Years)</u>
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-25
Infrastructure	\$ 20,000	10-50

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

THIS PAGE LEFT BLANK INTENTIONALLY



MIKE HARMON
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 Myron Lewis, Elliott County Judge/Executive
Members of the Elliott 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 Elliott County Fiscal Court for the fiscal year ended June 30, 2023, and the related notes to the financial statement which collectively comprise the Elliott County Fiscal Court's financial statement and have issued our report thereon dated November 29, 2023.

Report on Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2023-001 to be a material weakness.



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

Report on Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Elliott 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 2023-001 and 2023-002.

Views of Responsible Official and Planned Corrective Action

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

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,



Mike Harmon
Auditor of Public Accounts
Frankfort, Ky

November 29, 2023

**ELLIOTT COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2023

THIS PAGE LEFT BLANK INTENTIONALLY

**ELLIOTT COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2023

FINANCIAL STATEMENT FINDINGS:

2023-001 The Elliott County Fiscal Court Did Not Have Controls In Place To Prevent An Error In Financial Reporting

A posting mistake was made and not detected prior to the submission of the quarterly report. A budget transfer was posted to the federal grant fund in the amount of \$1,532,934 which was double the correct amount of \$766,467.

According to the treasurer, it was a posting error on the quarterly report, but does not affect the financial statement, only the appearance of the budget and no funds were misspent. As a result, the final budget columns from the budget to actual reports in the audit report do not net to zero, as the federal fund has an excess budget of \$766,467.

Inadequate controls over the posting process resulted in the undetected errors noted above. The fiscal court relies on information presented in the quarterly financial reports and inaccurate information could lead to improper decision making. In addition, KRS 68.210 states, “[t]he administration of the county uniform budget system shall be under the supervision of the state local finance officer who may inspect and shall supervise the administration of accounts and financial operations and shall prescribe and shall install, by July 1, 1985, a system of uniform accounts for all counties and county officials.” The Department for Local Government’s (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* requires county officials to submit quarterly reports that show, among other things, the amounts from the original budget for each category of receipts and expenditures. The fourth quarter financial report must agree to the original budget and budget amendments submitted to and approved by DLG.

We recommend the fiscal court implement effective internal controls, oversight, and review procedures to ensure all amounts reflected on the fourth quarter financial report are complete and accurate.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive’s Response: The county had an excess of budgeted funds in the reserve for transfer account (07-9200-999) and the treasurer was trying to move those budgeted funds over to the transfers out account (07-4909) in order to keep the transfers out actual amount from being over budget. This was the first time we have performed a budget transfer between an expense account and a revenue account in the same fund. In the future we will ensure transfers are not overstated.

2023-002 The Elliott County Fiscal Court Did Not Accurately Report Debt Liabilities

The Elliott County Fiscal Court did not accurately report debt liabilities on their fourth quarter report. They reported principal debt balance of \$1,590,711 on the liabilities section of the June 30, 2023 quarterly financial statement. However, the confirmed principal balance of the Elliott County Fiscal Court debt was \$1,374,838.

According to the treasurer, this occurred due to the county electing to record the outstanding principal balance of four leased vehicles on the debt liabilities, even though they are classified as GASB 87 leases. As a result, the liabilities section of the June 30, 2023 quarterly financial statement was overstated by \$215,873.

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* requires accurate financial records be maintained, which includes the schedule of liabilities. In addition, good internal controls require accurate information be presented in order for the fiscal court to make informed financial decisions, such as budget preparation or making large purchases.

ELLIOTT COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2023
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-002 The Elliott County Fiscal Court Did Not Accurately Report Debt Liabilities (Continued)

GASB 87 Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of the statement apply to financial statements of all state and local governments. For purposes of applying this statement, a lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction.

We recommend the Elliott County Fiscal Court review debt schedules and the debt liabilities section of the quarterly financial statements to ensure outstanding principal and interest are reported accurately. Additionally, we recommend the county refrain from disclosing GASB 87 leases as outstanding liabilities in the liabilities section of the fourth quarter financial report.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Due to the fact the debt schedule is presented quarterly to the magistrates the treasurer felt it was more transparent and informative to present the leased vehicles on the debt schedule. This was the first time the county has had leased vehicles. In the future leases will not be included on the debt schedule, we will only include them on the GASB 87 disclosure.

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

ELLIOTT COUNTY FISCAL COURT

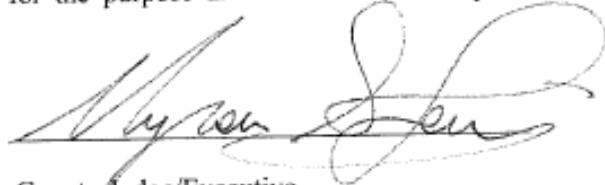
For The Year Ended June 30, 2023

THIS PAGE LEFT BLANK INTENTIONALLY

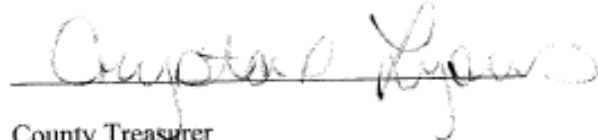
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
ELLIOTT COUNTY FISCAL COURT

For The Year Ended June 30, 2023

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



County Judge/Executive



County Treasurer