

Laurel County Fiscal Court
London, Kentucky

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Independent Auditors' Report
And Financial Statement
For the Year Ended
June 30, 2023

CONTENTS

PAGE

INDEPENDENT AUDITORS' REPORT.....	1
LAUREL COUNTY OFFICIALS	5
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - REGULATORY BASIS.....	7
NOTES TO FINANCIAL STATEMENT.....	12
BUDGETARY COMPARISON SCHEDULES	31
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES	43
SCHEDULE OF CAPITAL ASSETS.....	45
NOTES TO OTHER INFORMATION - REGULATORY BASIS SCHEDULE OF CAPITAL ASSETS.....	46
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	48
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	49
INDEPENDENT AUDITORS' 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	51
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE.....	54
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	59
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAM	



To the People of Kentucky
Honorable Andrew G. Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
Honorable David Westerfield, Laurel County Judge/Executive
Members of the Laurel County Fiscal Court

Independent Auditors' Report

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 Laurel County Fiscal Court, for the year ended June 30, 2023, and the related notes to the financial statement, which collectively comprise the Laurel 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 Laurel 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 Laurel 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 Laurel County Fiscal Court and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

Laurel 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 Laurel 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Laurel County Fiscal Court's ability to continue as a going concern for a reasonable period of time

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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 Laurel County Fiscal Court. The Budgetary Comparison Schedules and the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

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

Other Information

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

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Other Matters (Continued)

Other Reporting Required by Government Auditing Standards

In accordance with accordance with Government Auditing Standards, we have also issued our report dated May 21, 2025, on our consideration of the Laurel 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 Laurel 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 Questioned Costs included herein, which discusses the following report findings:

- 2023-001 The High Intensity Drug Trafficking Awareness (HIDTA) Fund Should Be Treated As A Fund Of The Laurel County Fiscal Court
- 2023-002 The Laurel County Section 8 Housing Fund Should Be Treated As A Fund Of The Laurel County Fiscal Court
- 2023-003 The Laurel County Fiscal Court Lacks Adequate Segregation Of Duties Over Occupational Tax And Net Profit Tax Collections
- 2023-004 The Laurel County Debt Was Not Reported Correctly On The Fourth Quarter Financial Report Liabilities Worksheet

Abner & Cox, PLLC

Abner & Cox, PLLC
London, Kentucky

May 21, 2025

LAUREL COUNTY OFFICIALS

For The Year Ended June 30, 2023

Fiscal Court Members:

David Westerfield	County Judge/Executive
John Crawford	Magistrate
Danny Smith	Magistrate
Bobby Overbey	Magistrate
Jeff Book	Magistrate
Billy Oakley	Magistrate
Richard Bales	Magistrate

Other Elected Officials:

Jodi L. Albright	County Attorney
Jamie Mosley	Jailer
Tony Brown	County Clerk
Roger Schott	Circuit Court Clerk
John Root	Sheriff
Joyce Parker	Property Valuation Administrator
Doug Bowling	Coroner

Appointed Personnel:

Karen Montgomery	County Treasurer
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LAUREL COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2023

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

	Budgeted Funds			Local Government Economic Assistance Fund
	General Fund	Road Fund	Jail Fund	
RECEIPTS				
Taxes	\$ 4,759,902	\$ 85,139	\$	\$
Excess Fees	533,919			
Licenses and Permits	634,959			
Intergovernmental	7,476,936	2,345,637	10,187,480	2,605
Charges for Services	22,070		10,586	
Miscellaneous	2,386,223	57,121	828,917	
Interest	13,180	1,900	11,760	21
Total Receipts	<u>15,827,189</u>	<u>2,489,797</u>	<u>11,038,743</u>	<u>2,626</u>
DISBURSEMENTS				
General Government	6,096,515			
Protection to Persons and Property	3,472,410		8,490,672	
General Health and Sanitation	572,426			
Social Services	32,500			
Recreation and Culture	1,062,551			
Transportation Facility and Services	1,999,343			
Roads		4,598,165		
Debt Service	1,821,847		1,475,632	
Administration	3,370,049	783,876	2,070,271	
Total Disbursements	<u>18,427,641</u>	<u>5,382,041</u>	<u>12,036,575</u>	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,600,453)</u>	<u>(2,892,244)</u>	<u>(997,832)</u>	<u>2,626</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	6,292,412	4,363,799	890,182	
Transfers To Other Funds	(890,182)			
Total Other Adjustments to Cash (Uses)	<u>5,402,230</u>	<u>4,363,799</u>	<u>890,182</u>	
Net Change in Fund Balance	2,801,778	1,471,555	(107,650)	2,626
Fund Balance - Beginning (Restated)	<u>1,888,817</u>	<u>760,244</u>	<u>4,702,110</u>	<u>26,304</u>
Fund Balance - Ending	<u>\$ 4,690,595</u>	<u>\$ 2,231,799</u>	<u>\$ 4,594,460</u>	<u>\$ 28,930</u>
Composition of Fund Balance				
Bank Balance	\$ 5,197,247	\$ 2,292,916	\$ 4,816,992	\$ 28,930
Less: Outstanding Checks	(1,045,216)	(61,117)	(222,532)	
Certificates of Deposit	538,564			
Fund Balance - Ending	<u>\$ 4,690,595</u>	<u>\$ 2,231,799</u>	<u>\$ 4,594,460</u>	<u>\$ 28,930</u>

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

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

Budgeted Funds							
Federal Grant Fund	Forest Fire Fund	Opiod Settlement Fund	Occupational Tax Fund	Local Government Economic Development Fund	Chemical Stockpile Emergency Preparedness Program Fund	County Clerk Storage Fees Fund	ARPA Fund
\$	\$ 1,442	\$	\$ 14,261,887	\$	\$	\$	\$
		425,740			468,219	74,990	
1	2	482	18,253			18	7,460
1	1,444	426,222	14,280,140		468,219	75,008	7,460
			539,978				
1	3,339						899,955
		50	4,327,391				57,000
1	3,339	50	4,867,369				956,955
	(1,895)	426,172	9,412,771		468,219	75,008	(949,495)
			(10,187,993)		(468,218)		
			(10,187,993)		(468,218)		
	(1,895)	426,172	(775,222)		1	75,008	(949,495)
	3,326		6,642,623	516			3,845,167
\$ 0	\$ 1,431	\$ 426,172	\$ 5,867,401	\$ 516	\$ 1	\$ 75,008	\$ 2,895,672
\$	\$ 1,431	\$ 426,172	\$ 4,350,371	\$ 516	\$ 1	\$ 75,008	\$ 2,895,672
			(9,314)				
			1,526,344				
\$ 0	\$ 1,431	\$ 426,172	\$ 5,867,401	\$ 516	\$ 1	\$ 75,008	\$ 2,895,672

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

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

	Unbudgeted Funds			
	Public Properties Corporation Bond Fund	Financial Commission For Appalachia HIDTA Fund	Jail Commissary Fund	Laurel County Section 8 Housing Fund
RECEIPTS				
Taxes	\$	\$	\$	\$
Excess Fees				
Licenses and Permits				
Intergovernmental	1,567,650	10,557,285		1,300,906
Charges for Services			652,729	
Miscellaneous				12,587
Interest	494			593
Total Receipts	<u>1,568,144</u>	<u>10,557,285</u>	<u>652,729</u>	<u>1,314,086</u>
DISBURSEMENTS				
General Government				
Protection to Persons and Property		10,557,228	793,605	
General Health and Sanitation				
Social Services				1,140,986
Recreation and Culture				
Transportation Facility and Services				
Roads				
Debt Service	1,567,651			
Administration				156,812
Total Disbursements	<u>1,567,651</u>	<u>10,557,228</u>	<u>793,605</u>	<u>1,297,798</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>493</u>	<u>57</u>	<u>(140,876)</u>	<u>16,288</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds				
Transfers To Other Funds				
Total Other Adjustments to Cash (Uses)				
Net Change in Fund Balance	493	57	(140,876)	16,288
Fund Balance - Beginning (Restated)	<u>6,019</u>	<u>6</u>	<u>249,981</u>	<u>178,143</u>
Fund Balance - Ending	<u>\$ 6,512</u>	<u>\$ 63</u>	<u>\$ 109,105</u>	<u>\$ 194,431</u>
Composition of Fund Balance				
Bank Balance	\$ 6,512	\$ 63	\$ 115,906	\$ 229,900
Less: Outstanding Checks			(6,801)	(35,469)
Certificates of Deposit				
Fund Balance - Ending	<u>\$ 6,512</u>	<u>\$ 63</u>	<u>\$ 109,105</u>	<u>\$ 194,431</u>

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

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

	Unbudgeted Funds	
	Laurel County	
	General	
	Obligation Bond	
	(Nursing Home)	
	Fund	Total
		Funds
RECEIPTS		
Taxes	\$	\$ 19,108,370
Excess Fees		533,919
Licenses and Permits		634,959
Intergovernmental	344,951	34,752,398
Charges for Services		685,385
Miscellaneous		3,284,849
Interest		54,163
Total Receipts	<u>344,951</u>	<u>59,054,043</u>
DISBURSEMENTS		
General Government		6,636,493
Protection to Persons and Property		24,217,210
General Health and Sanitation		572,426
Social Services		1,173,486
Recreation and Culture		1,062,551
Transportation Facility and Services		1,999,343
Roads		4,598,165
Debt Service	347,269	5,212,449
Administration		10,765,399
Total Disbursements	<u>347,269</u>	<u>56,237,522</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,318)</u>	<u>2,816,521</u>
Other Adjustments to Cash (Uses)		
Transfers From Other Funds		11,546,393
Transfers To Other Funds		<u>(11,546,393)</u>
Total Other Adjustments to Cash (Uses)		<u></u>
Net Change in Fund Balance	(2,318)	2,816,521
Fund Balance - Beginning (Restated)	<u>59,708</u>	<u>18,362,964</u>
Fund Balance - Ending	<u>\$ 57,390</u>	<u>\$ 21,179,486</u>
Composition of Fund Balance		
Bank Balance	\$ 57,390	\$ 20,495,027
Less: Outstanding Checks		(1,380,449)
Certificates of Deposit		2,064,908
Fund Balance - Ending	<u>\$ 57,390</u>	<u>\$ 21,179,486</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.....	16
NOTE 3.	TRANSFERS.....	16
NOTE 4.	CUSTODIAL FUNDS.....	16
NOTE 5.	LONG-TERM DEBT.....	17
NOTE 6.	COMMITMENTS AND CONTINGENCIES.....	24
NOTE 7.	EMPLOYEE RETIREMENT SYSTEM.....	25
NOTE 8.	DEFERRED COMPENSATION.....	28
NOTE 9.	HEALTH REIMBURSEMENT ACCOUNT/FLEXIBLE SPENDING ACCOUNT.....	28
NOTE 10.	INSURANCE.....	29
NOTE 11.	CONDUIT DEBT.....	29
NOTE 12.	PRIOR PERIOD ADJUSTMENTS.....	29
NOTE 13.	SUBSEQUENT EVENTS.....	29

LAUREL COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2023

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Laurel County includes all budgeted and unbudgeted funds under the control of the Laurel 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 that are within the county's control. Unbudgeted funds may also include any corporation to act as 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 and 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 source of receipts for this fund is state payments for truck licenses 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.

LAUREL 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)

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 government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

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

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

Forest Fire Fund - The primary purpose of this fund is to provide emergency fire protection to the forestry regions of the county. The primary source of the receipts for this fund is local taxes collected by the Sheriff.

Opioid Settlement Fund – The primary purpose for this fund is to account for the receipts and disbursements of a portion of the nationwide Opioid Settlement. The only source of receipts for this fund are settlement funds provided by the state for the purpose of opioid prevention, treatment, and recovery.

Occupational Tax Fund – The primary purpose of this fund is to account for occupational taxes collected by the county.

Local Government Economic Development Fund - The primary purpose of this fund is to account for receipts from the state and federal governments for the purpose of economic development.

Chemical Stockpile Emergency Preparedness Program (CSEPP) Fund - The primary purpose of this fund is to account for the receipts and disbursements of the Chemical Stockpile Emergency Preparedness Program. These funds are received from the Department of Homeland Security and are to be used solely for the purpose of providing emergency preparedness in case of an accident involving the stockpile of chemical weapons at the Bluegrass Army Depot in Madison County. In no event shall these funds be used for expenses related to the administration of the government. The Department for Local Government requires the Fiscal Court to maintain these receipts and disbursements separately from the General Fund.

County Clerk Storage Fees – The primary purpose of this fund is to account for the receipts and disbursements of the permanent storage fees charged by the county clerk for the storage of records.

American Relief Plan Fund - The purpose of this fund is to account for Coronavirus State and Local Fiscal Recovery Funds and related disbursements. The primary source of receipts for this fund are federal coronavirus grant funds.

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Public Properties Corporation Bond Fund – This fund is used to account for debt service requirements of first mortgage revenue bonds issued by the Laurel County, Kentucky Judicial Center Public Properties Corporation to fund construction of a judicial center.

Financial Commission For Appalachia HIDTA Fund – This fund is used to account for the receipts and disbursements of the Appalachia High Intensity Drug Trafficking Area (HIDTA) Program. This program was created for specifically designated counties of Kentucky, Tennessee, and West Virginia. The program strives to provide new and intense efforts to reduce and/or eliminate the distribution, demand for, and growth of marijuana as well as investigation and prosecution of those dealing in illegal drugs.

Jail Commissary Fund – The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Laurel County Section 8 Housing Fund – The Laurel County Section 8 Housing Agency (the Agency) was formed by the Laurel County Fiscal Court to operate a Section 8 Housing Assistance Payments program. The Agency provides rental assistance to low income families under a contract with the U.S. Department of Housing and Urban Development. This fund is used to account for the receipts and disbursements of the Agency.

Laurel County General Obligation Bond (Nursing Home) Fund – This fund was established by the Laurel County Fiscal Court for the purpose of financing and refinancing the acquisition and construction of a nursing home and other facilities designed to meet the needs of the elderly.

D. Budgetary Information

Annual budgets are adopted 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, and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed disbursement 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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information (Continued)

The State Local Finance Officer does not require the Financial Commission For Appalachia HIDTA Fund, the Jail Commissary Fund, and the Laurel County Section 8 Housing Fund to be budgeted because the fiscal court does not approve the expenses of these funds.

The State Local Finance Officer does not require the Public Properties Corporation Bond Fund and Laurel County Public Properties Corporation Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

E. Laurel County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Laurel 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 Laurel 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 Debt

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.

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

Note 2. Deposits

The fiscal court maintains deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC 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 county 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 KRS 66.480(1)(d) and KRS 41.240. 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	Occupational Tax Fund	CSEPP Fund	Total Transfers In
General Fund	\$ -	\$ 5,824,194	\$ 468,218	\$ 6,292,412
Road Fund	-	4,363,799	-	4,363,799
Jail Fund	890,182	-	-	890,182
Total Transfers Out	\$ 890,182	\$ 10,187,993	\$ 468,218	\$ 11,546,393

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. Custodial Funds

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

The fiscal court has the following custodial funds:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the Jail Inmate Fund as of June 30, 2023 was \$263,273.

Medicare Supplement Plan - This fund accounts for employee and employer contributions for health insurance supplement. The medicare supplement plan account balance as of June 30, 2023 was \$814.

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

Note 5. Long-term Debt

A. Direct Borrowings and Direct Placements

1. KACLT Leases - Infrastructure Activities

In September 2005, the County entered into a \$2,280,000, 20-year lease purchase agreement with the Kentucky Association of Counties Leasing Trust for the purpose of providing financing for the purchase of land adjacent to the Laurel County Detention Center, construction of roads, sewers and water lines of the Laurel County Economic Development Authority, and construction of water lines for the Wood Creek, East Laurel, West Laurel and Laurel Water District #2 water districts. Interest related to the lease is payable on the 20th day of each month and principal payments are due on December 20 of each year. The lease bears interest at an average rate of 3.9% over the term of the agreement. The County may elect to pay interest annually at a discounted amount less than the sum of monthly interest payments. As of June 30, 2023, the principal balance was \$420,000. Future lease principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Interest & Fees
2024	\$ 135,000	\$ 17,228
2025	140,000	10,828
2026	145,000	3,798
Totals	\$ 420,000	\$ 31,854

B. Other Debt

1. General Obligation Bonds, Series 2017A and Taxable Series 2017B – Detention Center

The Laurel County Fiscal Court issued Series 2017A and taxable series 2017B obligations in order to construct a new detention center. The Series 2017A bonds of \$24,155,000 are dated July 5, 2017. Interest rates on the obligation range from 3.0% to 5.0%. Principal and interest payments are due semi-annually on November 1 and May 1. Interest payments began November 1, 2017 and principal payments begin May 1, 2026. The semi-annual payments continue through May 1, 2042. In the event of default, the bond is continually secured by the full faith, credit, revenue, and taxes of the county.

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

Note 5. Long-term Debt (Continued)

B. Other Debt (Continued)

As of June 30, 2023, series 2017A bonds outstanding were \$24,155,000. Future interest and principal payments are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest & Fees</u>
2024	\$ -	\$ 926,425
2025	-	926,425
2026	360,000	926,425
2027	1,075,000	908,425
2028	1,130,000	854,675
2029-2033	6,470,000	3,459,375
2034-2038	7,790,000	2,140,625
2039-2042	7,330,000	612,525
Totals	<u>\$ 24,155,000</u>	<u>\$ 10,754,900</u>

The Taxable Series 2017B bonds of \$3,210,000 are dated July 5, 2017 with an interest rate of 3.24%. The obligation is payable in semi-annual installments due on November 1 and May 1. Interest payments began November 1, 2017 and principal payments began May 1, 2020. The semi-annual payments continue through May 1, 2026. In the event of default, the bond is continually secured by the full faith, credit, revenue, and taxes of the county. As of June 30, 2023, Taxable Series 2017B bonds outstanding were \$1,340,000. Future interest and principal payments are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest & Fees</u>
2024	\$ 505,000	\$ 43,416
2025	525,000	27,054
2026	310,000	10,044
Totals	<u>\$ 1,340,000</u>	<u>\$ 80,514</u>

2. General Obligation Refunding Bonds, Series 2019 – Laurel Heights Project

During the fiscal year 2020, the Laurel County Fiscal Court issued series 2019 bonds. The proceeds from the series 2019 bonds were used to refinance general obligation refunding bonds, series 2010 (Laurel Heights Project). On September 26, 2019, Laurel County Fiscal Court issued \$2,840,080 of tax-exempt bonds “Laurel County, Kentucky General Obligation Refunding Bonds, Series 2019 (Laurel Heights Project)”. The bonds are general obligations of the Laurel County Fiscal Court, and the purpose of the bonds was to refinance the tax-exempt bonds “County of Laurel, Kentucky General Obligation Refunding Bonds, Series 2010 (Laurel Housing, Inc. Project)”. The bonds require semi-annual interest payments on November 1 and May 1 with an interest of 1.68%. The semi-annual payments continue through November 1, 2027. In the event of default, the bond is continually secured by the full faith, credit, revenue, and taxes of the county.

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

Note 5. Long-term Debt (Continued)

B. Other Debt (Continued)

As of June 30, 2023, Series 2019 bonds outstanding were \$1,787,258. Future principal and interest payments are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest & Fees</u>
2024	\$ 345,662	\$ 27,122
2025	354,115	21,244
2026	356,320	15,277
2027	362,660	9,237
2028	<u>368,501</u>	<u>3,095</u>
Totals	<u>\$ 1,787,258</u>	<u>\$ 75,975</u>

3. General Obligation Refunding Bonds, Series 2012A – Laurel Heights Project

On April 25, 2012, the Laurel County Fiscal Court issued \$6,665,000 of tax-exempt bonds “Laurel County, Kentucky General Obligation Refunding Bonds, Series 2012A (Laurel Heights Project).” The bonds are general obligations of the Laurel County Fiscal Court, and the purpose of the bonds was to refinance the City of Ewing, Kentucky, remarketed \$8,125,000 of tax-exempt bonds “City of Ewing, Kentucky, Kentucky Area Development Districts Financing Trust Lease Acquisition Program Revenue Bonds, Fixed Rate Series 2000AB.” Effective with this bond issuance, the bond proceeds were transferred to Laurel Housing, Inc., to refinance the 2000AB bonds, which were repaid in full on June 1, 2013.

Revenues generated from Laurel Housing, Inc. will be equal to the debt service requirements due in accordance with the bond issue and will be paid directly to the paying agent to the account of the issuer. Interest payments are due June 1 and December 1 of each year and principal payments are due annually on June 1, beginning June 1, 2015, with a variable interest rate of 2.75% to 3.375%. The land, building and any future improvements serve as collateral for the bonds. Also, as general obligations of the Laurel County Fiscal Court, the full faith credit and taxing power of the fiscal court are irrevocably pledged as security for the payment of the bonds, and under the bond ordinance, the fiscal court pledges to apply the revenues from Laurel Housing, Inc. to the payment of the bonds.

In December 2021, the Laurel County Fiscal Court refinanced the Series 2012A bonds with Laurel County, Kentucky General Obligation Refunding Bond, Series 2021A in the amount of \$3,986,623.

4. General Obligation Refunding Bonds, Series 2013A – Laurel Heights Project

On April 3, 2013, the Laurel County Fiscal Court issued \$4,910,000 of tax-exempt bonds “Laurel County, Kentucky General Obligation Refunding Bonds, Series 2013A (Laurel Heights Project).” The bonds are general obligations of the Laurel County Fiscal Court, and the purpose of the bonds was to refinance the \$3,625,000 of tax-exempt bonds “County of Laurel, Kentucky General Obligation Improvements Bonds, Series 2004B (Laurel Housing, Inc. Project)” and the \$1,875,000 of tax-exempt bonds “County of Laurel, Kentucky General Obligation Improvement Bonds, Series 2006 (Laurel Heights Project).” Effective with the issuance of the bonds, the bond proceeds were transferred to Laurel Housing, Inc., to refinance the series

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

Note 5. Long-term Debt (Continued)

B. Other Debt (Continued)

2004B and series 2006 Bonds. The series 2004B bonds were paid in full during fiscal year 2016 and the series 2006 bonds were paid in full during fiscal year 2017.

Revenues generated from Laurel Housing, Inc. will be equal to the debt service requirements due in accordance with the bond issue and will be paid directly to the paying agent to the account of the issuer. Interest payments are due January 1 and July 1 of each year and principal payments are due annually on January 1, beginning January 1, 2017, with a variable interest rate of 2.125% to 3.50%. The land, building and any future improvements serve as collateral for the bonds. Also, as general obligations of the Laurel County Fiscal Court, the full faith credit and taxing power of the fiscal court are irrevocably pledged as security for the payment of the bonds, and under the bond ordinance, the fiscal court pledges to apply the revenues from Laurel Housing, Inc. to the payment of the bonds. In the event of default by the county to comply with any provision of this agreement the bondholder of any bond may seek specific performance by court order to cause the county to comply with its obligations under this agreement. The sole remedy under this agreement in the event of any failure of the county to comply with this agreement shall be an action to compel performance. As of June 30, 2023, Series 2013A bonds outstanding were \$3,495,000. Future principal and interest payments are as follows:

Fiscal Year Ending June 30	Principal	Interest & Fees
2024	\$ 235,000	\$ 106,981
2025	240,000	101,400
2026	245,000	95,400
2027	255,000	88,969
2028	260,000	81,319
2029-2033	1,405,000	225,919
2034-2037	855,000	59,981
Totals	<u>\$ 3,495,000</u>	<u>\$ 759,969</u>

5. General Obligation Refunding Bonds, Series 2021A – Laurel Heights Project

On December 9, 2021, the Laurel County Fiscal Court refinanced the Laurel County General Obligation Bond, Series 2012A with Laurel County, Kentucky General Obligation Bond, Series 2021A (Laurel Heights Project) in the amount of \$3,986,623. The bonds are general obligations of the Laurel County Fiscal Court.

Revenues generated from Laurel Housing, Inc. will be equal to the debt service requirements due in accordance with the bond issue and will be paid directly to the paying agent to the account of the issuer. Interest payments are due June 1 and December 1 of each year and principal payments are due annually on June 1, beginning June 1, 2022, with an interest rate of 1.38%. The land, building and any future improvements serve as collateral for the bonds. Also, as general obligations of the Laurel County Fiscal Court, the full faith credit and taxing power of the fiscal court are irrevocably pledged as security for the payment of the bonds, and under the bond ordinance, the fiscal court pledges to apply the revenues from Laurel Housing, Inc. to the payment of the bonds. In the event of default by the county to comply with any provision of this agreement the bondholder of any bond may seek specific performance by court order to cause the county to

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

Note 5. Long-term Debt (Continued)

B. Other Debt (Continued)

comply with its obligations under this agreement. The sole remedy under this agreement in the event of any failure of the county to comply with this agreement shall be an action to compel performance. As of June 30, 2023, Series 2021A bonds outstanding were \$3,054,089. Future principal and interest payments are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest & Fees</u>
2024	\$ 493,156	\$ 42,146
2025	500,861	35,341
2026	503,223	28,429
2027	510,317	21,485
2028	520,785	14,442
2029	525,747	7,255
Totals	<u>\$ 3,054,089</u>	<u>\$ 149,098</u>

6. General Obligation Refunding Bonds, Series 2021B – Laurel County

On December 9, 2021, the Laurel County Fiscal Court refinanced the Laurel County General Obligation Bond, Series 2012B with Laurel County, Kentucky General Obligation Bond, Series 2021B (Laurel Heights Project) in the amount of \$1,626,264. The bonds are general obligations of the Laurel County Fiscal Court.

Revenues generated from Laurel Housing, Inc. will be equal to the debt service requirements due in accordance with the bond issue and will be paid directly to the paying agent to the account of the issuer. Interest payments are due June 1 and December 1 of each year and principal payments are due annually on June 1, beginning June 1, 2022, with an interest rate of 0.95%. The land, building and any future improvements serve as collateral for the bonds. Also, as general obligations of the Laurel County Fiscal Court, the full faith credit and taxing power of the fiscal court are irrevocably pledged as security for the payment of the bonds, and under the bond ordinance, the fiscal court pledges to apply the revenues from Laurel Housing, Inc. to the payment of the bonds. In the event of default by the county to comply with any provision of this agreement the bondholder of any bond may seek specific performance by court order to cause the county to comply with its obligations under this agreement. The sole remedy under this agreement in the event of any failure of the county to comply with this agreement shall be an action to compel performance. As of June 30, 2023, Series 2021B bonds outstanding were \$828,595. Future principal and interest payments are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest & Fees</u>
2024	\$ 410,921	\$ 7,872
2025	417,674	3,968
Totals	<u>\$ 828,595</u>	<u>\$ 11,840</u>

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

Note 5. Long-term Debt (Continued)

B. Other Debt (Continued)

7. First Mortgage Revenue Bonds, Series 2015 and Series 2018 – Judicial Center

The Laurel County Public Properties Corporation (PPC), an agency and instrumentality of the Laurel County Fiscal Court, issued during fiscal year 2016, \$9,295,000 first mortgage refunding revenue bonds, series 2015, which refunded a portion of the series 2008 bonds which were issued for the purpose of constructing the Laurel County Judicial Center. The series 2015 bonds require principal payments beginning March 1, 2021, and semiannual interest payments beginning March 1, 2016, and due semi-annually on March 1 and September 1 at varying interest rates from 2.10 percent to 3 percent. During fiscal year 2018, another portion of the series 2008 bonds were refunded by first mortgage revenue bonds, series 2018 bonds of \$3,670,000 dated March 14, 2018. The series 2018 bonds require three annual principal payments beginning March 1, 2020 and semi-annual interest payments beginning September 1, 2018 and ending March 1, 2022 at the rate of 4 percent. The PPC has entered into an agreement to lease the Laurel County Judicial Center to the Laurel County Fiscal Court for the amount of the bond payments. The fiscal court has a sublease with the Administrative Office of the Courts (AOC), Commonwealth of Kentucky for approximately 100 percent of the Laurel County Judicial Center, whereby AOC makes semi-annual payments directly to the paying agent to fund the debt service for these bond issues.

In the event of default, PPC may take appropriate court action to enforce the pledge of the full faith, credit, and revenue of the fiscal court so that during the remaining lease term the fiscal court levies on all taxable property, in addition to other taxes, without limitation as to the rate or amount, a direct tax annually in an amount sufficient to pay the rental payments; take legal title to, and sell or re-lease the project or any portion thereof; or take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the project under this agreement or to enforce performance by the fiscal court of the applicable covenants and agreements of the fiscal court under this agreement and to recover damages for the breach of the agreement. As of June 30, 2023, series 2015 outstanding bonds were \$8,025,000. Future principal and interest payments are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest & Fees</u>
2024	\$ 1,470,000	\$ 318,150
2025	1,530,000	259,350
2026	1,605,000	182,850
2027	1,685,000	102,600
2028	<u>1,735,000</u>	<u>52,051</u>
Totals	<u>\$ 8,025,000</u>	<u>\$ 915,001</u>

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

Note 5. Long-term Debt (Continued)

C. Changes In Long-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 550,000	\$ -	\$ 130,000	\$ 420,000	\$ 135,000
Other Debt -					
Fiscal Court	\$ 27,221,503	-	897,908	26,323,595	912,908
Laurel Heights Project	9,396,776	-	1,060,429	8,336,347	1,073,818
Public Properties Corporation	9,215,000	-	1,190,000	8,025,000	1,470,000
Total Long-term Debt	<u>\$ 46,383,279</u>	<u>\$ -</u>	<u>\$ 3,278,337</u>	<u>\$ 43,104,942</u>	<u>\$ 3,591,726</u>

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 Ending June 30	Direct Borrowings and Direct Placements		Other Debt	
	Principal	Interest	Principal	Interest
2024	\$ 135,000	\$ 17,228	\$ 3,459,739	\$ 1,472,112
2025	140,000	10,828	3,567,650	1,374,782
2026	145,000	3,798	3,379,543	1,258,425
2027			3,887,977	1,130,716
2028			4,014,286	1,005,582
2029-2033			8,400,747	3,692,549
2034-2038			8,645,000	2,200,606
2039-2042			7,330,000	612,525
Totals	<u>\$ 420,000</u>	<u>\$ 31,854</u>	<u>\$ 42,684,942</u>	<u>\$ 12,747,297</u>

Note 6. Commitments and Contingencies

The Financial Commission for Appalachia HIDTA (the Commission) has entered into various lease agreements for facilities and office equipment. For the year ended June 30, 2023, the Commission incurred lease expenditures in the amount of \$85,304. These leases vary in original length from 36 months to 60 months. The continuance of the leases is contingent upon the availability of grant revenue. The leases are cancelable by the lessee if grant funding ceases.

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

Note 6. Commitments and Contingencies (Continued)

Following is a summary of future minimum lease payments assuming grant funding continues:

Year Ended June 30,	
2024	\$ 154,870
2025	146,333
2026	<u>66,566</u>
	<u>\$ 367,769</u>

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

Note 7. Employee Retirement System

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). 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 Retirement Systems as an agency of the Commonwealth is now known as the Kentucky Public Pensions Authority (KPPA). The governance of CERS has been transferred to a separate 9-member board of trustees that is responsible for the governance of the CERS pension and insurance plans.

The county's contributions for FY 2021 was \$1,805,947, FY 2022 was \$2,036,739, and FY 2023 was \$2,371,125.

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 KRS 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. The employer contribution rate is set annually by the KRS 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.

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

Note 7. Employee Retirement System (Continued)

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 KRS 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 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 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.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage – Tier 1

CERS also 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%

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

Note 7. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

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, such 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 161.714 with exception of COLA and retiree health benefits after July 2003.

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 161.714 with exception of COLA and retiree health benefits after July 2003. Tier 3 members are not covered by the same provisions.

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.

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

Note 7. Employee Retirement System (Continued)

D. Cost of Living Adjustments – Tier 1

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of KRS 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.

KRS Annual Financial Report and Proportionate Share Audit Report

KRS 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.

Note 8. Deferred Compensation

The Laurel 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 permits 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.

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

Note 8. Deferred Compensation (Continued)

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 Kentucky Public Employees' Deferred Compensation Authority at 501 High Street, 2nd Floor, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 9. Health Reimbursement Account/Flexible Spending Account

The Laurel County Fiscal Court has provided their full time employees with a Health Savings Account or a Flex Saving Account since January 2010. The Health Savings Account for fiscal year 2023 was approved to be funded at a rate of \$1,200 annually per employee. The Health Savings Account was funded on a monthly basis and is allowed to roll over into the next fiscal year. Full time employees who do not qualify for the Health Savings Account were provided a Flex Spending Account at a rate of \$1,200 annually. The individual balances at the end of the insurance year do not roll over into the next fiscal year. The Flex Sending Accounts are funded annually at the start of the insurance year. Employees are allowed to withhold additional funds for either plan which is deposited into their account each pay period.

Note 10. Insurance

For the fiscal year ended June 30, 2023, Laurel 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 a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 11. Conduit Debt

From time to time the county has issued bonds to provide financial assistance to Waste Management of Kentucky, LLC for the purpose of financing the cost of improving the Laurel Ridge Landfill, a solid waste disposal facility owned by Waste Management of Kentucky, LLC. 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 Laurel 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 issued. Neither the fiscal court or 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.

Note 12. Prior Period Adjustments

The prior year beginning balances have been restated as follows:

The Road fund beginning balance was increased by \$659 to include prior year voided checks.

The Jail fund beginning balance was increased by \$8,181 to include prior year voided checks.

The Occupational Tax fund beginning balance was increased by \$8,181 to include prior year voided checks.

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

Note 13. Subsequent Events

No events have occurred subsequent to the date of the financial statement that would require adjustment to or disclosure in the financial statement. The Laurel County Fiscal Court has evaluated subsequent events through May 21, 2025, which is the date the financial statement was available to be issued.

LAUREL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2023

LAUREL 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	\$ 4,081,575	\$ 4,081,575	\$ 4,759,902	\$ 678,327
Excess Fees	401,800	401,800	533,919	132,119
Licenses and Permits	530,200	530,200	634,959	104,759
Intergovernmental	7,045,701	7,317,518	7,476,936	159,418
Charges for Services	9,000	9,000	22,070	13,070
Miscellaneous	50,000	1,857,908	2,386,223	528,315
Interest	3,600	3,600	13,180	9,580
Total Receipts	12,121,876	14,201,601	15,827,189	1,625,588
DISBURSEMENTS				
General Government	4,005,554	6,237,996	6,096,515	141,481
Protection to Persons and Property	3,540,512	3,719,395	3,472,410	246,985
General Health and Sanitation	561,900	610,146	572,426	37,720
Social Services	50,000	37,500	32,500	5,000
Recreation and Culture	551,600	1,070,696	1,062,551	8,145
Transportation Facilities and Services	34,100	2,038,859	1,999,343	39,516
Debt Service	573,038	1,824,404	1,821,847	2,557
Administration	9,229,366	5,886,799	3,370,049	2,516,750
Total Disbursements	18,546,070	21,425,795	18,427,641	2,998,154
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(6,424,194)	(7,224,194)	(2,600,453)	4,623,742
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	6,824,194	6,824,194	6,292,412	(531,782)
Transfers To Other Funds	(400,000)	(400,000)	(890,182)	(490,182)
Total Other Adjustments to Cash (Uses)	6,424,194	6,424,194	5,402,230	(1,021,964)
Net Change in Fund Balance		(800,000)	2,801,778	3,601,778
Fund Balance - Beginning (Restated)		800,000	1,888,817	1,088,817
Fund Balance - Ending	\$ 0	\$ 0	\$ 4,690,595	\$ 4,690,595

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

ROAD FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 80,000	\$ 80,000	\$ 85,139	\$ 5,139
Intergovernmental	2,414,601	2,414,601	2,345,637	(68,964)
Miscellaneous			57,121	57,121
Interest	800	800	1,900	1,100
Total Receipts	<u>2,495,401</u>	<u>2,495,401</u>	<u>2,489,797</u>	<u>(5,604)</u>
DISBURSEMENTS				
Roads	6,133,200	6,395,934	4,598,165	1,797,769
Administration	726,000	963,266	783,876	179,390
Total Disbursements	<u>6,859,200</u>	<u>7,359,200</u>	<u>5,382,041</u>	<u>1,977,159</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(4,363,799)</u>	<u>(4,863,799)</u>	<u>(2,892,244)</u>	<u>1,971,555</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	4,363,799	4,363,799	4,363,799	
Transfers To Other Funds				
Total Other Adjustments to Cash (Uses)	<u>4,363,799</u>	<u>4,363,799</u>	<u>4,363,799</u>	
Net Change in Fund Balance		(500,000)	1,471,555	1,971,555
Fund Balance - Beginning (Restated)		<u>500,000</u>	<u>760,244</u>	<u>260,244</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,231,799</u>	<u>\$ 2,231,799</u>

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

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 9,615,379	\$ 9,615,379	\$ 10,187,480	\$ 572,101
Charges for Services	8,500	8,500	10,586	2,086
Miscellaneous	876,000	876,000	828,917	(47,083)
Interest	407	407	11,760	11,353
Total Receipts	<u>10,500,286</u>	<u>10,500,286</u>	<u>11,038,743</u>	<u>538,457</u>
DISBURSEMENTS				
Protection to Persons and Property	7,282,579	8,618,621	8,490,672	127,949
Debt Service	1,475,717	1,475,717	1,475,632	85
Administration	2,641,990	3,305,948	2,070,271	1,235,677
Total Disbursements	<u>11,400,286</u>	<u>13,400,286</u>	<u>12,036,575</u>	<u>1,363,711</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(900,000)</u>	<u>(2,900,000)</u>	<u>(997,832)</u>	<u>1,902,168</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>400,000</u>	<u>400,000</u>	<u>890,182</u>	<u>490,182</u>
Total Other Adjustments to Cash (Uses)	<u>400,000</u>	<u>400,000</u>	<u>890,182</u>	<u>490,182</u>
Net Change in Fund Balance	(500,000)	(2,500,000)	(107,650)	2,392,350
Fund Balance - Beginning (Restated)	<u>500,000</u>	<u>2,500,000</u>	<u>4,702,110</u>	<u>2,202,110</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,594,460</u>	<u>\$ 4,594,460</u>

LAUREL 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	\$ 2,000	\$ 2,000	\$ 2,605	\$ 605
Interest	10	10	21	11
Total Receipts	2,010	2,010	2,626	616
DISBURSEMENTS				
Roads				
Administration	27,010	27,010		27,010
Total Disbursements	27,010	27,010		27,010
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(25,000)	(25,000)	2,626	27,626
Net Change in Fund Balance	(25,000)	(25,000)	2,626	27,626
Fund Balance - Beginning	25,000	25,000	26,304	1,304
Fund Balance - Ending	\$ 0	\$ 0	\$ 28,930	\$ 28,930

LAUREL 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)
	Original	Final	
			Variance with Final Budget Positive (Negative)
RECEIPTS			
Intergovernmental	\$	\$	\$
Miscellaneous			
Total Receipts			
DISBURSEMENTS			
Protection to Persons and Property	5	5	5
Total Disbursements	5	5	5
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(5)	(5)	(5)
Net Change in Fund Balance	(5)	(5)	(5)
Fund Balance - Beginning (Restated)	5	5	5
Fund Balance - Ending	\$ 0	\$ 0	\$ 0

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

FOREST FIRE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,400	\$ 1,400	\$ 1,442	\$ 42
Charges for Services				
Interest	1	1	2	1
Total Receipts	1,401	1,401	1,444	43
DISBURSEMENTS				
Protection to Persons and Property	3,400	3,400	3,339	61
Administration	1,001	1,001		1,001
Total Disbursements	4,401	4,401	3,339	1,062
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(3,000)	(3,000)	(1,895)	1,105
Other Adjustments to Cash (Uses)				
Transfers From Other Funds				
Transfers To Other Funds				
Total Other Adjustments to Cash (Uses)				
Net Change in Fund Balance	(3,000)	(3,000)	(1,895)	1,105
Fund Balance - Beginning	3,000	3,000	3,326	326
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,431	\$ 1,431

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

OPIOD SETTLEMENT FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ -	\$ -	\$ 425,740	
Interest	-	-	482	482
Total Receipts			426,222	482
DISBURSEMENTS				
Debt Service			50	(50)
Total Disbursements			50	(50)
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			426,172	432
Other Adjustments to Cash (Uses)				
Transfers From Other Funds				
Transfers To Other Funds				
Total Other Adjustments to Cash (Uses)	-	-	-	-
Net Change in Fund Balance			426,172	432
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 426,172	\$ 432

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

OCCUPATIONAL TAX FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 10,500,000	\$ 10,500,000	\$ 14,261,887	\$ 3,761,887
Interest	8,300	8,300	18,253	9,953
Total Receipts	10,508,300	10,508,300	14,280,140	3,771,840
DISBURSEMENTS				
General Government	444,800	552,689	539,978	12,711
Administration	4,114,000	5,006,111	4,327,391	678,720
Total Disbursements	4,558,800	5,558,800	4,867,369	691,431
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	5,949,500	4,949,500	9,412,771	4,463,271
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(10,187,993)	(10,187,993)	(10,187,993)	
Total Other Adjustments to Cash (Uses)	(10,187,993)	(10,187,993)	(10,187,993)	
Net Change in Fund Balance	(4,238,493)	(5,238,493)	(775,222)	4,463,271
Fund Balance - Beginning (Restated)	4,238,493	5,238,493	6,642,623	1,404,130
Fund Balance - Ending	\$ 0	\$ 0	\$ 5,867,401	\$ 5,867,401

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

LOCAL GOVERNMENT ECONOMIC DEVELOPMENT FUND

	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Interest				
Total Receipts				
DISBURSEMENTS				
Administration	515	515		515
Total Disbursements	515	515		515
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(515)	(515)		515
Net Change in Fund Balance	(515)	(515)		515
Fund Balance - Beginning	515	515	513	(2)
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 513</u>	<u>\$ 513</u>

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

CHEMICAL STOCKPILE EMERGENCY PREPAREDNESS				
PROGRAM FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,000,000	\$ 1,000,000	\$ 468,218	\$ (531,782)
Total Receipts	1,000,000	1,000,000	468,218	(531,782)
DISBURSEMENTS				
Administration				
Total Disbursements				
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	1,000,000	1,000,000	468,218	(531,782)
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(1,000,000)	(1,000,000)	(468,218)	531,782
Total Other Adjustments to Cash (Uses)	(1,000,000)	(1,000,000)	(468,218)	531,782
Net Change in Fund Balance				
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 0	\$ 0

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

COUNTY CLERK STORAGE FEES FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ -	\$ 100,000	\$ 74,990	\$ (25,010)
Interest	-	-	18	18
Total Receipts		100,000	75,008	(24,992)
DISBURSEMENTS				
Recreation and Culture	-	100,000	-	100,000
Administration				
Total Disbursements	-	100,000	-	100,000
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	-	-	75,008	75,008
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			-	
Transfers To Other Funds				
Total Other Adjustments to Cash (Uses)	-	-	-	-
Net Change in Fund Balance			75,008	75,008
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 75,008	\$ 75,008

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

ARPA FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$ 1,800	\$ 1,800	\$ 7,460	\$ 5,660
Total Receipts	1,800	1,800	7,460	
DISBURSEMENTS				
Protection to Persons and Property	2,700,000	2,700,000	899,955	1,800,045
General Health and Sanitation				
Administration	1,101,800	1,101,800	57,000	1,044,800
Total Disbursements	3,801,800	3,801,800	956,955	2,844,845
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(3,800,000)	(3,800,000)	(949,495)	2,844,845
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			-	
Transfers To Other Funds				
Total Other Adjustments to Cash (Uses)	-	-	-	-
Net Change in Fund Balance	(3,800,000)	(3,800,000)	(949,495)	2,844,845
Fund Balance - Beginning	3,800,000	3,800,000	3,845,167	45,167
Fund Balance - Ending	\$ 0	\$ 0	\$ 2,895,672	\$ 2,890,012

LAUREL 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, 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, and according to the laws of Kentucky as required by the State Local Finance Officer.

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.

LAUREL COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information – Regulatory Basis

For The Year Ended June 30, 2023

LAUREL 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	Additions	Deletions	Ending Balance
Land	\$ 4,807,623	\$	\$	\$ 4,807,623
Buildings	65,368,222	-		65,368,222
Vehicles	5,465,335	1,454,200		6,919,535
Machinery and Equipment	4,306,170	-		4,306,170
Infrastructure	124,561,227	4,282,263		128,843,490
Total Capital Assets	\$ 204,508,577	\$ 5,736,463	\$ 0	\$ 210,245,040

The Laurel County, Kentucky Public Properties Corporation reports the following schedule of capital assets:

	Balance	Additions	Deletions	Balance
Land	\$ 245,549	\$	\$	\$ 245,549
Buildings and Improvements	2,884,034			2,884,034
Moveable Equipment	129,430			129,430
Total Capital Assets	\$ 3,259,013	\$	\$	\$ 3,259,013

The Laurel County Section 8 Agency reports the following schedule of capital assets:

	Balance	Additions	Deletions	Balance
Land	\$ 65,000	\$ -	\$ -	\$ 65,000
Buildings	156,432			156,432
Equipment	45,688			45,688
Site Improvements	33,416			33,416
Total Capital Assets	\$ 300,536	\$ -	\$ -	\$ 300,536

LAUREL 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.

Beginning balance of Capital Assets were adjusted due to prior year additions being reported in incorrect category.

The fiscal court utilizes the following capitalization policy:

	<u>Capitalization Threshold</u>	<u>Useful Life (Years)</u>
Land	\$ 25,000	Unlimited
Buildings	25,000	15-50
Building Improvements	25,000	1-25
Leasehold Improvements	1	Determine by lease term
Machinery & Equipment	5,000	5-15
Vehicles	5,000	1-5
Infrastructure	25,000	10-50

The Laurel County, Kentucky Public Properties Corporation utilizes the following capitalization policy:

	<u>Capitalization Threshold</u>	<u>Useful Life (Years)</u>
Land	\$ 500	Unlimited
Buildings and Improvements	500	5-40
Fixed Equipment	500	5-20
Movable Equipment	500	3-20

The Laurel County Section 8 Agency utilizes the following capitalization policy:

	<u>Capitalization Threshold</u>	<u>Useful Life (Years)</u>
Land	\$ 1,000	Unlimited
Buildings and Site Improvements	1,000	20-40

LAUREL COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2023

LAUREL COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity's Identifying Number	Provided To Subrecipient	Total Federal Expenditures
<u>U. S. Department of Homeland Security</u>				
<i>Passed-Through State Department of Military Affairs</i>				
Chemical Stockpile Emergency Preparedness Program	#97.040	N/A	\$	\$ 434,221
<i>Passed-Through State Office of Homeland Security</i>				
Emergency Management Performance Grants	#97.042	N/A		79,463
Total U.S. Department of Homeland Security			<u>\$ -</u>	<u>\$ 513,684</u>
<u>U. S. Department of the Treasury</u>				
Coronavirus State and Local Fiscal Recovery Funds	#21.027	N/A	\$	\$ 956,955
Total U.S. Department of the Treasury			<u>\$ -</u>	<u>\$ 956,955</u>
Total Expenditures of Federal Awards			<u>\$ 0</u>	<u>\$ 1,470,639</u>

The accompanying notes are an integral part of this schedule

LAUREL COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2023

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Laurel County, Kentucky under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Laurel County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Laurel County, Kentucky.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rate

The Laurel County Fiscal Court has not adopted an indirect cost rate and has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

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



The Honorable David Westerfield, Laurel County Judge/Executive
Members of the Laurel County Fiscal Court

Independent Auditors' 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

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 Laurel County Fiscal Court for the fiscal year ended June 30, 2023, and the related notes to the financial statement which collectively comprise the Laurel County Fiscal Court's financial statement and have issued our report thereon dated May 21, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Laurel County Fiscal Court's internal control over financial reporting (internal control) to determine the 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 Laurel County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Laurel County Fiscal Court's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2023-003, that we consider to be a significant deficiency.

Independent Auditors' 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 Laurel 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 determination of financial statement amounts. 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 Questioned Costs as items 2023-1, 2023-2, and 2023-4.

Views of Responsible Officials and Planned Corrective Action

Government Auditing Standards requires the auditor to perform limited procedures on Laurel County Fiscal Court's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. Laurel County Fiscal Court's response was not subjected to the other auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on the response.

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.

Sincerely,

Abner & Cox, PLLC

Abner & Cox, PLLC
London, KY

May 21, 2025

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
UNIFORM GUIDANCE**



The Honorable David Westerfield, Laurel County Judge/Executive
Members of the Laurel County Fiscal Court

Independent Auditors' Report On Compliance For Each Major Federal Program
And On Internal Control Over Compliance Required by The Uniform Guidance

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Laurel County Fiscal Court's compliance with the types of compliance requirements identified as subject to audit in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Laurel County Fiscal Court's major federal programs for the year ended June 30, 2023. Laurel County Fiscal Court's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Laurel County Fiscal Court complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Laurel County Fiscal Court and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Laurel County Fiscal Court's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulation, rules, and provisions of contracts or grant agreements applicable to Laurel County Fiscal Court's federal programs.

Independent Auditors' Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance In Accordance With
Uniform Guidance
(Continued)

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Laurel County Fiscal Court's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Laurel County Fiscal Court's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Laurel County Fiscal Court's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Laurel County Fiscal Court's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Laurel County Fiscal Court's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we have identified during the audit.

Independent Auditors' Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance In Accordance With
Uniform Guidance
(Continued)

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected, and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Sincerely,

Abner & Cox, PLLC

Abner & Cox, PLLC
London, KY

May 21, 2025

LAUREL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2023

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

Fiscal Year Ended June 30, 2023

Section I: Summary of Auditor's Results

Type of auditor's report issued: Adverse on GAAP and Unmodified on Regulatory Basis

Internal control over financial reporting:

Are any material weaknesses identified?	☐ Yes	☒ No
Are any significant deficiencies identified not considered to be material weaknesses?	☒ Yes	☐ None Reported
Is any noncompliance material to financial statements noted?	☒ Yes	☐ No

Federal Awards

Type of auditor's report issued on compliance for major programs: Unmodified

Internal control over major programs:

Are any material weaknesses identified?	☐ Yes	☒ No
Are any significant deficiencies identified not considered to be material weaknesses?	☐ Yes	☒ None Reported
Are any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	☐ Yes	☒ No

Identification of major programs:

Assistance Listing Numbers and Name of Federal Program or Cluster

Assistance Listing Number: 21.027 Coronavirus State and Local Fiscal Recovery Funds

Enter the dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Is the auditee qualified as a low-risk auditee?	☐ Yes ☒ No

LAUREL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2023
(Continued)

Section II: Financial Statement Findings

2023-001 The High Intensity Drug Trafficking Areas (HIDTA) Fund Should Be Treated As A Fund Of The Laurel County Fiscal Court

The Financial Commission for Appalachia High Intensity Drug Trafficking Areas (HIDTA) fund is not being properly monitored or reported by the Laurel County Fiscal Court. The fund is used to account for the receipts and disbursements of the Appalachia HIDTA program. The fund is being administered by a financial commission, which was established by the Laurel County Fiscal Court, but the activities of this commission are not monitored by the fiscal court itself. The financial commission was created by the fiscal court to administer grant revenues. It is a special revenue fund and an integral part of the overall governmental reporting entity of the Laurel County Fiscal Court. The Laurel County Fiscal Court does not prepare a budget for this fund nor does it include it on its quarterly financial report.

It is the opinion of the Laurel County Attorney that “with the size and its operating budget, Laurel County Fiscal Court could not offer adequate oversight and to follow auditor’s recommendations would result in a degradation of said oversight.” The county treasurer stated that it was not feasible to include the HIDTA fund as a fund of the fiscal court. She stated that in order for this to happen, all disbursements would have to be approved by fiscal court and due to the nature of the disbursements (undercover drug related), fiscal court could not risk the disbursements being public record. She further stated if HIDTA is made a fund of the fiscal court and made public record, the fiscal court would probably stop receiving the federal funds altogether.

Based upon the opinions of the county attorney and the county treasurer, the Laurel County Fiscal Court has not included the HIDTA fund as a fund of the fiscal court. As a result, the fund is added as an adjustment to the financial statement to properly present the financial activity of the fiscal court to avoid a material misstatement of the financial statement.

The HIDTA Program Policy and Budget Guidance states, “HIDTAs are not legal entities under Federal law, but rather a coalition joined together to receive HIDTA funds to coordinate drug-related law enforcement activities of Federal, state, local, and tribal law enforcement agencies in designated areas.” It states further, “consequently, ONDCP [Office of National Drug Control Policy] must provide HIDTA Program funds to one or more legal entities, such as a state, local, or tribal agency...to act as the grantee(s) for agencies participating in the HIDTA program. In this role, the grantee is accountable for the use of HIDTA funds and must comply with all applicable Federal statutes and regulations and with its own regulations and policies.” “ONDCP awards HIDTA Program funds to state, local, and tribal government agency, ... in the form of two-year grants...” Per the HIDTA grant agreements, the grant recipient is the Laurel County Fiscal Court and since HIDTA is not legally separate, it should be considered a fund of the fiscal court.

KRS 68.020(4) states, in part, the county treasurer “...shall keep an accurate detailed account of all money received and disbursed by him for the county and shall keep books of accounts of the financial transactions of the county in the manner required by the uniform system of accounting prescribed by the state local finance officer.” In addition, 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 Department for Local Government’s *County Budget Preparation and State Local Finance Officer Policy Manual*. The manual requires all money received and paid to be reflected in the county budget and be properly reflected on the financial report as a receipt as well as an “expenditure.” Furthermore, all funds disbursed on the fiscal court’s behalf by third parties should be recorded in receipts and appropriations ledgers.

LAUREL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2023
(Continued)

Section II: Financial Statement Findings (Continued)

2023-001 The High Intensity Drug Trafficking Areas (HIDTA) Fund Should Be Treated As A Fund Of The Laurel County Fiscal Court (Continued)

We recommend the fiscal court consider the HIDTA fund like other funds of the fiscal court by budgeting for this fund and including it on the quarterly financial report. In addition, the fiscal court should approve all claims of the HIDTA fund and the county treasurer should receive, receipt, and record all HIDTA funds. Both the county judge/executive and the county treasurer should sign all disbursements from the HIDTA fund.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: No response given.

2023-002 The Laurel County Section 8 Housing Fund Should Be Treated As A Fund Of The Laurel County Fiscal Court

The Laurel County Section 8 Housing fund is not being properly monitored or reported by the Laurel County Fiscal Court. The Laurel County Section 8 Housing Agency (Agency) was formed by the Laurel County Fiscal Court to operate a Section 8 Housing Assistance Payments program. The fund is used to account for the receipts and disbursements of the Agency. The Laurel County Fiscal Court is the local board for the Housing and Urban Development (HUD) office and the county judge/executive is the board chairperson for the Laurel County Housing Authority. The Laurel County Fiscal Court does not prepare a budget for this fund nor do they include it on their quarterly financial reports even though fiscal court created the Agency, administers their retirement costs, signs the disbursements for rental assistance, and serves as the Agency's local board.

The county treasurer stated that it was not feasible to include the Section 8 Housing fund as a fund of the fiscal court. She stated that in order for this to happen, all disbursements would have to be approved by fiscal court and due to the nature of the disbursements (low-income data), fiscal court could not risk the disbursements being public record.

Based upon the opinions of the fiscal court and the county treasurer, the Laurel County Fiscal Court has not included the Section 8 Housing fund as a fund of the fiscal court. As a result, this fund is being added as an adjustment to the financial statement to properly present the financial activity of the fiscal court to avoid a material misstatement of the financial statement.

The Section 8 Housing does not have powers granted to it in a corporate charter or enabling legislation. Since it is not legally separate, then accounting standards state it belongs to the primary government, which is the Laurel County Fiscal Court. In addition, the governing board is substantively the same as the primary government's governing board: The fiscal court is the local board for the HUD office and the county judge/executive is the board chairperson for the Laurel County Housing Authority. Therefore, the Section 8 Housing Fund should be included as a fund of the fiscal court.

LAUREL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2023
(Continued)

Section II: Financial Statement Findings (Continued)

2023-002 The Laurel County Section 8 Housing Fund Should Be Treated As A Fund Of The Laurel County Fiscal Court (Continued)

KRS 68.020(4) states, in part, the county treasurer "...shall keep an accurate detailed account of all money received and disbursed by him for the county and shall keep books of accounts of the financial transactions of the county in the manner required by the uniform system of accounting prescribed by the state local finance officer." In addition, 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 Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual*. The manual requires all money received and paid to be reflected in the county budget and be properly reflected on the financial report as a receipt as well as an "expenditure." Furthermore, all funds disbursed on the fiscal court's behalf by third parties should be recorded in receipts and appropriations ledgers.

We recommend the fiscal court determine whether to continue to operate the Section 8 Housing Agency as an entity of the fiscal court or as a legally separate entity. As a legally separate entity, the fiscal court may choose to pass-through Section 8 federal funds it receives and establish appropriate subrecipient monitoring procedures, but still report the funds in the financial statement as pass-through disbursements. If it is not a legally separate entity, the fiscal court should consider the Section 8 Housing fund like other funds of the fiscal court by budgeting for this fund and including it on the quarterly financial report. In addition, the fiscal court should approve all claims of the Section 8 Housing fund and the county treasurer should receive, receipt, and record all Section 8 Housing funds.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: No response given.

2023-003 The Laurel County Fiscal Court Lacks Adequate Segregation Of Duties Over Occupational Tax Collections And Net Profit Tax Collections

The Laurel County Fiscal Court collects occupational taxes and net profit tax collections as established per local ordinance. These payments are collected either by walk-in or by mail-in payments in the occupational tax administrator's office. The occupational tax administrator and his employees are all responsible for collection of payments, processing payments, and deposit preparation. There is no documented secondary review of these collections.

A limited budget places restrictions on the number of employees the fiscal court can hire to process payments. Without adequate segregation of duties in place over receipt processing, assets could be misappropriated, or errors could occur without detection. Segregation of duties over various accounting functions, such as opening mail, collecting receipts, preparing bank deposits, preparing reports, or the implementation of compensating controls, when needed because the number of staff is limited, is essential for providing protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

LAUREL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2023
(Continued)

Section II: Financial Statement Findings (Continued)

2023-003 The Laurel County Fiscal Court Lacks Adequate Segregation Of Duties Over Occupational Tax Collections And Net Profit Tax Collections (Continued)

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

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: No response given.

2023-004 The Laurel County Debt Was Not Reported Correctly On The Fourth Quarter Financial Report Liabilities Worksheet

The principal balance remaining was overstated by \$2,124,299 on the fiscal court's fourth quarter financial report in the liabilities section that is required to be submitted to the State Local Finance Officer upon submission of the fiscal court's proposed budget and quarter financial report.

The amounts reported as "principal balance remaining" on three of the liabilities included the "interest balance remaining" for those debt issues. The "total outstanding" correctly included both principal and interest.

By not correctly reporting the liabilities of the fiscal court, the State Local Finance Officer did not see the accurate financial position of the fiscal court.

Since the Department for Local Government and the fiscal court rely on the quarterly report to make decisions involving new debt and other financial decisions it is important the quarter financial report be complete and accurate. The quarter financial report is a cumulative report and is prepared on a regulatory basis by the county judge/executive and the county treasurer pursuant to KRS 68.210. KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. This uniform system of accounts, as outlined in the *County Budget Preparation and State Local Finance Officer Policy Manual*, requires the budget section of the fourth quarter financial report to be utilized for reporting all current long-term debt, including public corporation bonds general obligation bonds, Government Leasing Act issues and Bond Anticipation Notes.

The fiscal court should have controls in place to ensure that all payments of liabilities are accounted for on the fourth quarter financial report liabilities worksheet.

We recommend the fiscal court, when submitting its proposed budget and quarter financial reports to the State Local Finance Officer, accurately report and include all their financial obligations within the liabilities section and ensure all quarter financial reports are reviewed and verified as correct before submitting to the Department for Local Government.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: No response given.

LAUREL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2023
(Continued)

Section III: Federal Award Findings And Questioned Costs

None.

Section IV: Summary Schedule of Prior Audit Findings

None.

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

LAUREL COUNTY FISCAL COURT

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