

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

**For The Year Ended
June 30, 2022**



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

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CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
BREATHITT COUNTY OFFICIALS	4
FOURTH QUARTER FINANCIAL STATEMENT	5
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	21
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	25
REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE	29
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	33
APPENDIX A: CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAM	

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

Independent Auditor's Report

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

Report on the Audit of the Financial Statement

Disclaimer of Opinion

We were engaged to audit the financial activity contained in the fourth quarter financial statement, which comprises the financial statement of the Breathitt County Fiscal Court, for the year ended June 30, 2022.

We do not express an opinion on the accompanying financial activity of the Breathitt County Fiscal Court. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial activity.

Basis for Disclaimer of Opinion

During the audit, significant risks were identified, including failure to maintain sufficient supporting documentation and accounting records, not having segregation of duties, and management override of controls. Due to the county's failure to maintain adequate accounting records, and other failures noted, we were unable to perform sufficient audit procedures to overcome the significant risks. Therefore, we cannot issue an opinion on the Breathitt County Fiscal Court's financial statement or give reasonable assurance the financial statement is free from material error or fraud.

Responsibilities of Management for the Financial Statement

Breathitt 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.



To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
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The Honorable Jeff Noble, Breathitt County Judge/Executive
Members of the Breathitt County Fiscal Court

Auditor's Responsibilities for the Audit of the Financial Statement

Our responsibility is to conduct an audit of Breathitt County Fiscal Court's financial statement 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 and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statement.

We are required to be independent of the Breathitt County Fiscal Court and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

Other Matter

We were engaged for the purpose of forming an opinion on the financial activity contained in the Fourth Quarter Financial Report, which comprises the financial statement of the Breathitt County Fiscal Court. The Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for the purpose of additional analysis and is not a required part of the financial statement. Because of the significance of matters described in the Basis for Disclaimer of Opinion paragraph and our inability to rely on underlying financial records, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2023, on our consideration of the Breathitt 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 Breathitt County Fiscal Court's internal control over financial reporting and compliance.

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

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

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

- 2022-001 The Breathitt County Fiscal Court Failed To Implement And Maintain An Effective Internal Control Environment
- 2022-002 The Breathitt County Fiscal Court Did Not Maintain Supporting Documentation In The Amount Of \$938,698 Of Occupational Tax Receipts
- 2022-003 The Breathitt County Fiscal Court Failed To Implement Proper Internal Controls Over Disbursements
- 2022-004 The Breathitt County Fiscal Court Did Not Implement Internal Controls Over Payroll Disbursements
- 2022-005 The Breathitt County Fiscal Court Did Not Establish And Maintain Effective Internal Controls Over Compliance With FEMA Requirements

Respectfully submitted,

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

Mike Harmon
Auditor of Public Accounts
Frankfort, Ky

September 26, 2023

BREATHITT COUNTY OFFICIALS**For The Year Ended June 30, 2022****Fiscal Court Members:**

Jeff Noble	County Judge/Executive
Donnie Bush	Magistrate
Roy Oakley Herald	Magistrate
Ray Moore	Magistrate
Ellis Tincher	Magistrate

Other Elected Officials:

Brendon Miller	County Attorney
Joel W. Gross	Jailer
Mary R. Curtis	County Clerk
James E. Turner II	Circuit Court Clerk
John Hollan	Sheriff
Ervine Allen	Property Valuation Administrator
Hargis Epperson	Coroner

Appointed Personnel:

Matthew Hudson	County Treasurer
Crystal Deaton	Chief Financial Officer
Bridgette Fugate	Occupational Tax Collector

**BREATHITT COUNTY
FOURTH QUARTER FINANCIAL STATEMENT**

For The Year Ended June 30, 2022

FINANCIAL STATEMENT & RECONCILIATION

Breathitt County Fiscal Court

For the period of: June 1, 2022 - June 30, 2022

Financial Statement														
Fund	General	Road	Jail	LGEA	Federal Grants	Solid Waste	LGED	ABC	Elview AML	SW Collection	Elview AML II	Elview Master	ARPA	Total
Cash Balance - 6/30/22	\$178,204.84	\$437,080.60	\$66,228.78	\$28,818.01	\$582,626.32	\$27,739.24	\$20,567.10	\$44,036.68	\$0.00	\$0.00	\$0.00	\$0.00	\$1,227,059.85	\$2,612,361.42
Receipts	\$100,402.77	\$20.88	\$698.97	\$48,794.17	\$0.00	\$1.06	\$0.00	\$3,105.84	\$0.00	\$0.00	\$0.00	\$0.00	\$52.11	\$153,075.80
Disbursements	\$220,971.83	\$118,593.36	\$98,801.46	\$23,947.82	\$0.00	\$7,941.99	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$470,256.46
Adjustments			\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Cash Balance	\$57,635.78	\$318,508.12	(\$31,873.71)	\$53,664.36	\$582,626.32	\$19,798.31	\$20,567.10	\$47,142.52	\$0.00	\$0.00	\$0.00	\$0.00	\$1,227,111.96	\$2,295,180.76
Encumbrances	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unencumbered Cash Balance - 6/30/22	\$57,635.78	\$318,508.12	(\$31,873.71)	\$53,664.36	\$582,626.32	\$19,798.31	\$20,567.10	\$47,142.52	\$0.00	\$0.00	\$0.00	\$0.00	\$1,227,111.96	\$2,295,180.76

Reconciliation														
Fund	General	Road	Jail	LGEA	Federal Grants	Solid Waste	LGED	ABC	Elview AML	SW Collection	Elview AML II	Elview Master	ARPA	Total
Bank Balance	\$192,635.36	\$384,664.42	\$17,097.77	\$61,038.15	\$591,665.32	\$19,798.31	\$21,127.34	\$47,142.52	\$0.00	\$0.00	\$0.00	\$0.00	\$1,227,111.96	\$2,562,281.15
Deposits in Transit	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Outstanding Checks	\$134,999.58	\$66,156.30	\$48,971.48	\$7,373.79	\$9,039.00	\$0.00	\$560.24	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$267,100.39
Miscellaneous Adjustments	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Cash Balance	\$57,635.78	\$318,508.12	(\$31,873.71)	\$53,664.36	\$582,626.32	\$19,798.31	\$20,567.10	\$47,142.52	\$0.00	\$0.00	\$0.00	\$0.00	\$1,227,111.96	\$2,295,180.76

To the best of my knowledge, the information contained herein is accurate and complete.


 Matthew Hudson
 Breathitt County Treasurer

07/07/22
 Date

**BREATHITT COUNTY
FOURTH QUARTER FINANCIAL STATEMENT
For The Year Ended June 30, 2022
(Continued)**

**Breathitt County Fiscal Court
Financial Statement**

9/2/2022

For Fiscal Year to Date

Page 2

7/1/2021 12:00:00 AM To 6/30/2022 12:00:00 AM

Appropriation Account Number	Name of Appropriation Account	Original Budget Appropriation	Amendments	Transfers +/-	Total Available	Claims Allowed	Free Balance	% Exp
01-5030-367	PVA Statutory Contribution	\$25,000.00	\$0.00	(\$4,750.00)	\$20,250.00	\$20,090.50	\$159.50	99.21%
01-5040-102	County Treasurer Salary	\$51,150.00	\$0.00	\$14,500.00	\$65,650.00	\$65,224.28	\$425.72	99.35%
01-5040-212	County Treasurer Training Benefit	\$1,078.15	\$0.00	\$2,354.63	\$3,432.78	\$3,432.78	\$0.00	100.00%
01-5040-445	County Treasurer Office Supplies	\$5,000.00	\$0.00	\$0.00	\$5,000.00	\$2,825.82	\$2,174.18	56.52%
01-5040-531	County Treasurer Surety Bond	\$2,500.00	\$0.00	(\$489.45)	\$2,010.55	\$2,010.55	\$0.00	100.00%
01-5045-106	County Finance Officer	\$21,250.00	\$0.00	\$0.00	\$21,250.00	\$20,727.20	\$522.80	97.54%
01-5047-167	Occupational Tax Administrator Salary	\$0.00	\$0.00	\$14,640.43	\$14,640.43	\$14,228.10	\$412.33	97.18%
01-5047-445	Occupational Tax Collection Expenses	\$1,500.00	\$0.00	\$13,378.00	\$14,878.00	\$14,878.00	\$0.00	100.00%
01-5060-101	County Law Library	\$600.00	\$0.00	\$600.00	\$1,200.00	\$1,200.00	\$0.00	100.00%
01-5065-192	Election Officers	\$20,000.00	\$0.00	(\$4,975.00)	\$15,025.00	\$15,025.00	\$0.00	100.00%
01-5065-193	Election Commissioners	\$4,600.00	\$0.00	(\$2,100.00)	\$2,500.00	\$2,500.00	\$0.00	100.00%
01-5065-199	Election Other Expenses	\$20,000.00	\$0.00	\$19.84	\$20,019.84	\$20,019.84	\$0.00	100.00%
01-5065-737	Voting Machine Maintenance	\$5,000.00	\$0.00	(\$5,000.00)	\$0.00	\$0.00	\$0.00	-
01-5080-175	Maintenance Wages	\$33,000.00	\$0.00	\$11,500.00	\$44,500.00	\$43,622.85	\$877.15	98.03%
01-5080-411	Courthouse Renewals - Supplies	\$11,500.00	\$0.00	\$2,243.26	\$13,743.26	\$13,527.26	\$216.00	98.43%
01-5080-443	Courthouse Maintenance Vehicle - Repairs	\$1,500.00	\$0.00	(\$428.76)	\$1,071.24	\$1,071.24	\$0.00	100.00%
01-5080-455	Courthouse Petroleum - Vehicles	\$500.00	\$0.00	\$0.00	\$500.00	\$424.68	\$75.32	84.94%
01-5080-569	Courthouse Registration & Conferences	\$12,500.00	\$0.00	(\$7,892.70)	\$4,607.30	\$4,607.30	\$0.00	100.00%
01-5080-571	Courthouse - Renewals & Repairs	\$20,000.00	\$0.00	\$13,661.93	\$33,661.93	\$33,661.93	\$0.00	100.00%
01-5080-573	Courthouse Cell - Telephone	\$6,000.00	\$0.00	(\$4,000.00)	\$2,000.00	\$1,410.00	\$590.00	70.50%

**BREATHITT COUNTY
FOURTH QUARTER FINANCIAL STATEMENT
For The Year Ended June 30, 2022
(Continued)**

**Breathitt County Fiscal Court
Financial Statement**

9/2/2022

For Fiscal Year to Date

7/1/2021 12:00:00 AM To 6/30/2022 12:00:00 AM

Page 3

Appropriation Account Number	Name of Appropriation Account	Original Budget Appropriation	Amendments	Transfers +/-	Total Available	Claims Allowed	Free Balance	% Exp
01-5080-578	Courthouse Utilities	\$53,000.00	\$0.00	\$16,672.44	\$69,672.44	\$62,674.61	\$6,997.83	89.96%
01-5081-175	Judicial Center - Custodial Wages	\$59,500.00	\$0.00	\$4,000.00	\$63,500.00	\$61,056.59	\$2,443.41	96.15%
01-5081-411	Judicial Center - Custodial Supplies	\$9,000.00	\$0.00	(\$4,178.71)	\$4,821.29	\$4,821.29	\$0.00	100.00%
01-5081-521	Judicial Center - Insurance	\$26,500.00	\$0.00	(\$2,544.49)	\$24,005.51	\$24,005.51	\$0.00	100.00%
01-5081-571	Judicial Center - Repairs	\$75,000.00	\$0.00	\$10,077.98	\$176,077.98	\$179,174.34	(\$3,096.36)	101.76%
01-5081-578	Judicial Center - Utilities	\$80,000.00	\$0.00	(\$2,500.00)	\$77,500.00	\$73,124.07	\$4,375.93	94.35%
01-5085-571	Industrial Bldg - Homeplace - ARM - Montessori	\$4,500.00	\$0.00	\$4,392.68	\$58,892.68	\$58,892.68	\$0.00	100.00%
01-5085-578	All Other Facilities - Utilities	\$0.00	\$0.00	\$16,150.57	\$16,150.57	\$15,786.36	\$364.21	97.74%
01-5101-723	USDA Grant - Jailer's Vehicle	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	-
01-5110-455	Constables - Gasoline/ Repairs	\$1,000.00	\$0.00	\$0.00	\$1,000.00	\$581.40	\$418.60	58.14%
01-5120-348	County Fire Dept - Program Support	\$65,000.00	\$0.00	\$4,449.67	\$69,449.67	\$69,449.67	\$0.00	100.00%
01-5135-107	DES Director	\$32,750.00	\$0.00	\$3,600.00	\$36,350.00	\$36,036.55	\$313.45	99.14%
01-5135-429	DES Director - Gasoline	\$2,500.00	\$0.00	\$0.00	\$2,500.00	\$2,202.83	\$297.17	88.11%
01-5135-443	DES Vehicle Repairs	\$1,500.00	\$0.00	(\$1,500.00)	\$0.00	\$0.00	\$0.00	-
01-5135-445	DES Office Expenses	\$1,250.00	\$0.00	(\$947.04)	\$302.96	\$302.96	\$0.00	100.00%
01-5135-573	DES Telephone	\$300.00	\$0.00	(\$300.00)	\$0.00	\$0.00	\$0.00	-
01-5135-723	USDA Grant - DES's Vehicle	\$0.00	\$0.00	\$1,220.94	\$1,220.94	\$1,220.94	\$0.00	100.00%
01-5145-307	E-911 Coordinator Salary	\$21,250.00	\$0.00	\$0.00	\$21,250.00	\$20,854.28	\$395.72	98.14%
01-5145-316	Contracts with Public Carriers	\$31,125.00	\$0.00	(\$5,207.55)	\$25,917.45	\$25,917.45	\$0.00	100.00%
01-5145-429	E-911 Vehicle - Petroleum	\$350.00	\$0.00	\$0.00	\$350.00	\$279.23	\$70.77	79.78%
01-5145-445	E-911 Department - Office Supplies	\$500.00	\$0.00	\$378.64	\$878.64	\$878.64	\$0.00	100.00%

BREATHITT COUNTY
FOURTH QUARTER FINANCIAL STATEMENT
For The Year Ended June 30, 2022
(Continued)

Breathitt County Fiscal Court
Financial Statement

For Fiscal Year to Date

9/2/2022

7/1/2021 12:00:00 AM To 6/30/2022 12:00:00 AM

Page 4

Appropriation Account Number	Name of Appropriation Account	Original Budget Appropriation	Amendments	Transfers +/-	Total Available	Claims Allowed	Free Balance	% Exp
01-5145-499	E-911 Office - Other Supplies & Materials	\$500.00	\$0.00	\$274.50	\$774.50	\$774.50	\$0.00	100.00%
01-5145-571	E-911 Vehicle - Repairs	\$1,000.00	\$0.00	(\$1,000.00)	\$0.00	\$0.00	\$0.00	-
01-5145-573	E-911 Coordinator - Cell/Telephone	\$360.00	\$0.00	\$0.00	\$360.00	\$210.00	\$150.00	58.33%
01-5145-576	E-911 Coordinator - Travel	\$250.00	\$0.00	\$0.00	\$250.00	\$0.00	\$250.00	0.00%
01-5145-599	E-911 Department - Miscellaneous Expenses	\$500.00	\$0.00	\$202.00	\$702.00	\$702.00	\$0.00	100.00%
01-5150-902	Forest Fire Protection	\$4,500.00	\$0.00	\$0.00	\$4,500.00	\$4,213.00	\$287.00	93.62%
01-5175-903	Public Defender Fees	\$12,500.00	\$0.00	\$0.00	\$12,500.00	\$12,175.00	\$325.00	97.40%
01-5215-161	Solid Waste Laborer - Wages	\$8,500.00	\$0.00	(\$8,153.81)	\$346.19	\$346.19	\$0.00	100.00%
01-5305-348	Senior Citizens Program Support	\$45,000.00	\$0.00	\$8,072.50	\$53,072.50	\$47,882.50	\$5,190.00	90.22%
01-5305-571	Senior Citizens Renewals - Repairs	\$10,000.00	\$0.00	(\$2,000.00)	\$8,000.00	\$6,526.91	\$1,473.09	81.59%
01-5305-578	Senior Citizens - Utilities	\$12,000.00	\$0.00	\$0.00	\$12,000.00	\$11,296.90	\$703.10	94.14%
01-5330-507	General Charity & Welfare	\$15,000.00	\$0.00	\$671.72	\$15,671.72	\$15,671.72	\$0.00	100.00%
01-7600-602	Other County Liabilities - Building Purchases	\$157,500.00	\$0.00	\$0.00	\$157,500.00	\$157,500.00	\$0.00	100.00%
01-7700-602	Waterlines Lease - Breathitt # 9 - Principal	\$50,000.00	\$0.00	\$5,000.00	\$55,000.00	\$55,000.00	\$0.00	100.00%
01-7700-606	Waterlines Lease - Breathitt # 9 - Interest	\$18,580.00	\$0.00	\$0.00	\$18,580.00	\$16,721.01	\$1,858.99	89.99%
01-9100-302	Legal Advertising	\$15,000.00	\$0.00	(\$5,000.00)	\$10,000.00	\$9,399.25	\$600.75	93.99%
01-9100-307	Audits	\$50,000.00	\$0.00	(\$5,000.00)	\$45,000.00	\$43,448.83	\$1,551.17	96.55%
01-9100-531	County Official Bonds	\$5,000.00	\$0.00	\$407.26	\$5,407.26	\$5,407.26	\$0.00	100.00%
01-9100-551	Memberships	\$15,000.00	\$0.00	(\$347.55)	\$14,652.45	\$13,736.92	\$915.53	93.75%
01-9200-999	Reserve for Transfer	\$209,382.36	\$325,499.41	(\$534,881.77)	\$0.00	\$0.00	\$0.00	-

BREATHITT COUNTY
FOURTH QUARTER FINANCIAL STATEMENT
For The Year Ended June 30, 2022
(Continued)

Breathitt County Fiscal Court
Financial Statement

For Fiscal Year to Date

9/2/2022

7/1/2021 12:00:00 AM To 6/30/2022 12:00:00 AM

Page 5

Appropriation Account Number	Name of Appropriation Account	Original Budget Appropriation	Amendments	Transfers +/-	Total Available	Claims Allowed	Free Balance	% Exp
01-9300-999	Transfers To/From Other Funds	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	-
01-9400-201	FICA Fringe	\$44,500.00	\$0.00	\$5,000.00	\$49,500.00	\$49,002.08	\$497.92	98.99%
01-9400-202	Retirement Fringe	\$145,000.00	\$0.00	\$21,087.41	\$166,087.41	\$166,396.43	(\$309.02)	100.19%
01-9400-205	Employee Health Insurance	\$150,000.00	\$0.00	(\$24,107.34)	\$125,892.66	\$125,892.66	\$0.00	100.00%
01-9400-208	Unemployment Insurance	\$13,000.00	\$0.00	(\$2,906.30)	\$10,093.70	\$10,093.70	\$0.00	100.00%
01-9400-209	Workers Compensation	\$26,000.00	\$0.00	\$2,044.64	\$28,044.64	\$28,044.64	\$0.00	100.00%
01-9400-212	Training Fringe Benefits	\$19,500.00	\$0.00	\$0.00	\$19,500.00	\$18,740.30	\$759.70	96.10%
	Grand Total	\$2,258,335.51	\$325,499.41	\$0.05	\$2,583,834.97	\$2,543,967.29	\$39,867.68	98.46%

BREATHITT COUNTY
FOURTH QUARTER FINANCIAL STATEMENT
For The Year Ended June 30, 2022
(Continued)

Breathitt County Fiscal Court
Financial Statement

9/2/2022

For Fiscal Year to Date

Page 6

7/1/2021 12:00:00 AM To 6/30/2022 12:00:00 AM

Appropriation Account Number	Name of Appropriation Account	Original Budget Appropriation	Amendments	Transfers +/-	Total Available	Claims Allowed	Free Balance	% Exp
02-0000-000	Interfund Transfers/Voided Checks	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	-
02-6005-535	Insurance Road Equipment	\$55,000.00	\$0.00	\$0.00	\$55,000.00	\$52,086.25	\$2,913.75	94.70%
02-6005-586	Road Facilities - Building Repairs	\$5,000.00	\$0.00	\$0.00	\$5,000.00	\$2,511.73	\$2,488.27	50.23%
02-6103-102	Road Supervisor - Salary	\$32,000.00	\$0.00	(\$32,000.00)	\$0.00	\$0.00	\$0.00	-
02-6103-445	Office Supplies	\$4,250.00	\$0.00	\$0.00	\$4,250.00	\$2,912.13	\$1,337.87	68.52%
02-6105-143	Road Workers Salaries	\$340,000.00	\$0.00	(\$327,887.02)	\$12,112.98	\$12,112.98	\$0.00	100.00%
02-6105-145	Bridge Foreman	\$0.00	\$0.00	\$1,518.22	\$1,518.22	\$1,518.22	\$0.00	100.00%
02-6105-147	Mechanic	\$0.00	\$0.00	\$33,696.19	\$33,696.19	\$33,240.73	\$455.46	98.65%
02-6105-151-001	Equipment Operator - Heavy KW	\$0.00	\$0.00	\$37,513.65	\$37,513.65	\$37,316.99	\$196.66	99.48%
02-6105-151-002	Equipment Operator - Heavy DC	\$0.00	\$0.00	\$29,905.31	\$29,905.31	\$29,609.30	\$296.01	99.01%
02-6105-151-003	Equipment Operator - Heavy JH	\$0.00	\$0.00	\$44,622.37	\$44,622.37	\$44,193.00	\$429.37	99.04%
02-6105-153-001	Equipment Operator - Light WB	\$0.00	\$0.00	\$39,155.68	\$39,155.68	\$38,890.02	\$265.66	99.32%
02-6105-153-002	Equipment Operator - Light JP	\$0.00	\$0.00	\$39,857.48	\$39,857.48	\$39,630.90	\$226.58	99.43%
02-6105-153-003	Equipment Operator - Light CS	\$0.00	\$0.00	\$25,284.52	\$25,284.52	\$24,954.45	\$330.07	98.69%
02-6105-161-001	General Laborer - RC	\$0.00	\$0.00	\$22,897.26	\$22,897.26	\$21,956.46	\$940.80	95.89%
02-6105-161-002	General Laborer - RFC	\$0.00	\$0.00	\$22,897.26	\$22,897.26	\$22,103.25	\$794.01	96.53%
02-6105-161-003	General Laborer - MS	\$0.00	\$0.00	\$27,703.14	\$27,703.14	\$27,097.50	\$605.64	97.81%
02-6105-165	Road Dept Secretary	\$35,000.00	\$0.00	\$12,500.00	\$47,500.00	\$46,998.39	\$501.61	98.94%
02-6105-311	Road Maintenance Contracted	\$100,000.00	\$661,068.22	\$36,521.11	\$797,589.33	\$716,419.33	\$81,170.00	89.82%
02-6105-312	Contracts - Bridges	\$10,000.00	\$0.00	\$0.00	\$10,000.00	\$1,573.00	\$8,427.00	15.73%
02-6105-366	Litter Abatement	\$28,500.00	\$0.00	\$2,655.74	\$31,155.74	\$31,155.74	\$0.00	100.00%

BREATHITT COUNTY
FOURTH QUARTER FINANCIAL STATEMENT
For The Year Ended June 30, 2022
(Continued)

Breathitt County Fiscal Court
Financial Statement
Cash Receipts Report

9/2/2022

Page 7

Fund: Solid Waste

Account Code	Description	Org Bdg Estimate	Amendments	Rec This Quarter	Total Rec To Date	Under (Over)	Percent Recvd
13-4510-000	State Grants	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	-
13-4602-000	Solid Waste Fees	\$50,000.00	\$0.00	\$26,909.15	\$26,909.15	\$23,090.85	53.82%
13-4713-000	Recycling Receipts	\$12,000.00	\$0.00	\$5,925.56	\$5,925.56	\$6,074.44	49.38%
13-4731-000	Miscellaneous	\$500.00	\$0.00	\$0.00	\$0.00	\$500.00	0.00%
13-4801-000	Interest Earned	\$160.00	\$0.00	\$15.67	\$15.67	\$144.33	9.79%
13-4901-000	Prior Year Carryover	\$15,000.00	\$0.00	\$18,410.24	\$18,410.24	\$(3,410.24)	122.73%
13-4909-000	Transfer Out	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	-
13-4910-000	Transfer In	\$15,000.00	\$0.00	\$40,000.00	\$40,000.00	\$(25,000.00)	266.67%
	Subtotal	\$92,660.00	\$0.00	\$91,260.62	\$91,260.62	\$1,399.38	98.49%
	Total Receipts	\$92,660.00	\$0.00	\$91,260.62	\$91,260.62	\$1,399.38	98.49%

BREATHITT COUNTY
FOURTH QUARTER FINANCIAL STATEMENT
For The Year Ended June 30, 2022
(Continued)

Breathitt County Fiscal Court
Financial Statement
Cash Receipts Report

9/2/2022

Page 8

Fund: LGED

Account Code	Description	Org Bdg Estimate	Amendments	Rec This Quarter	Total Rec To Date	Under (Over)	Percent Recvd
31-4508-000	Coal Severance Projects	\$110,000.00	\$0.00	\$610.54	\$610.54	\$109,389.46	0.56%
31-4901-000	Prior Year Carryover	\$20,393.42	\$0.00	\$20,305.64	\$20,305.64	\$87.78	99.57%
31-4909-000	Transfer Out	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	-
31-4910-000	Transfer In	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	-
	Subtotal	\$130,393.42	\$0.00	\$20,916.18	\$20,916.18	\$109,477.24	16.04%
	Total Receipts	\$130,393.42	\$0.00	\$20,916.18	\$20,916.18	\$109,477.24	16.04%

BREATHITT COUNTY
FOURTH QUARTER FINANCIAL STATEMENT
For The Year Ended June 30, 2022
(Continued)

Breathitt County Fiscal Court
Financial Statement
Cash Receipts Report

9/2/2022

Page 9

Fund: Alcohol Beverage Control

Account Code	Description	Org Bdg Estimate	Amendments	Rec This Quarter	Total Rec To Date	Under (Over)	Percent Recvd
75-4402-000	ABC Administrator	\$15,000.00	\$0.00	\$16,086.21	\$16,086.21	\$(1,086.21)	107.24%
75-4801-000	Interest Earned	\$50.00	\$0.00	\$18.63	\$18.63	\$31.37	37.26%
75-4901-000	Prior Year Carryover	\$30,000.00	\$0.00	\$31,037.68	\$31,037.68	\$(1,037.68)	103.46%
75-4909-000	Transfer Out	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	-
75-4910-000	Transfer In	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	-
	Subtotal	\$45,050.00	\$0.00	\$47,142.52	\$47,142.52	\$(2,092.52)	104.64%
	Total Receipts	\$45,050.00	\$0.00	\$47,142.52	\$47,142.52	\$(2,092.52)	104.64%

BREATHITT COUNTY
FOURTH QUARTER FINANCIAL STATEMENT
For The Year Ended June 30, 2022
(Continued)

Breathitt County Fiscal Court
Financial Statement
Cash Receipts Report

9/2/2022

Page 10

Fund: Elkview AML

Account Code	Description	Org Bdg Estimate	Amendments	Rec This Quarter	Total Rec To Date	Under (Over)	Percent Recvd
76-4616-000	Elkview Water Project	\$150,000.00	\$0.00	\$0.00	\$0.00	\$150,000.00	0.00%
76-4901-000	Prior Year Carryover	\$0.00	\$0.00	\$38,246.14	\$38,246.14	\$(38,246.14)	-
76-4909-000	Transfer Out	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	-
76-4910-000	Transfer In	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	-
	Subtotal	\$150,000.00	\$0.00	\$38,246.14	\$38,246.14	\$111,753.86	25.50%
	Total Receipts	\$150,000.00	\$0.00	\$38,246.14	\$38,246.14	\$111,753.86	25.50%

BREATHITT COUNTY
FOURTH QUARTER FINANCIAL STATEMENT
For The Year Ended June 30, 2022
(Continued)

Breathitt County Fiscal Court
Financial Statement
Cash Receipts Report

9/2/2022

Page 11

Fund: Solid Waste Collections

Account Code	Description	Org Bdg Estimate	Amendments	Rec This Quarter	Total Rec To Date	Under (Over)	Percent Recvd
77-4113-000	Solid Waste Fees	\$5,000.00	\$0.00	\$754.09	\$754.09	\$4,245.91	15.08%
77-4901-000	Prior Year Carryover	\$0.00	\$0.00	\$155.68	\$155.68	\$(155.68)	-
	Subtotal	\$5,000.00	\$0.00	\$909.77	\$909.77	\$4,090.23	18.20%
	Total Receipts	\$5,000.00	\$0.00	\$909.77	\$909.77	\$4,090.23	18.20%

**BREATHITT COUNTY
FOURTH QUARTER FINANCIAL STATEMENT
For The Year Ended June 30, 2022
(Continued)**

**Breathitt County Fiscal Court
Financial Statement
Cash Receipts Report**

9/2/2022

Page 12

Fund: Elkview AML II

Account Code	Description	Org Bdg Estimate	Amendments	Rec This Quarter	Total Rec To Date	Under (Over)	Percent Recvd
78-4616-000	Elkview Project Phase 2	\$1,200,000.00	\$0.00	\$0.00	\$0.00	\$1,200,000.00	0.00%
78-4901-000	Prior Year Carryover	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	-
78-4909-000	Transfer Out	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	-
78-4910-000	Transfer In	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	-
	Subtotal	\$1,200,000.00	\$0.00	\$0.00	\$0.00	\$1,200,000.00	0.00%
	Total Receipts	\$1,200,000.00	\$0.00	\$0.00	\$0.00	\$1,200,000.00	0.00%

**BREATHITT COUNTY
FOURTH QUARTER FINANCIAL STATEMENT
For The Year Ended June 30, 2022
(Continued)**

**Breathitt County Fiscal Court
Financial Statement
Cash Receipts Report**

9/2/2022

Page 13

Fund: Elkview Master Plan

Account Code	Description	Org Bdg Estimate	Amendments	Rec This Quarter	Total Rec To Date	Under (Over)	Percent Recvd
79-4731-000	Elkview Master Plan	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	-
79-4901-000	Prior Year Carryover	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	-
79-4909-000	Transfer Out	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	-
79-4910-000	Transfer In	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	-
	Subtotal	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	-
	Total Receipts	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	-

BREATHITT COUNTY
FOURTH QUARTER FINANCIAL STATEMENT
For The Year Ended June 30, 2022
(Continued)

		Breathitt County Fiscal Court						
		Financial Statement						
		Cash Receipts Report						
9/2/2022							Page 14	
Fund: ARPA								
Account Code	Description	Org Bdg Estimate	Amendments	Rec This Quarter	Total Rec To Date	Under (Over)	Percent Recvd	
80-4801-000	Interest Earned	\$0.00	\$0.00	\$497.46	\$497.46	\$(497.46)	-	
80-4901-000	Prior Year Carryover	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	-	
80-4909-000	Transfer Out	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	-	
80-4910-000	Transfer In	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	-	
80-8099-000	American Rescue Plan Act	\$0.00	\$0.00	\$1,226,614.50	\$1,226,614.50	\$(1,226,614.50)	-	
	Subtotal	\$0.00	\$0.00	\$1,227,111.96	\$1,227,111.96	\$(1,227,111.96)	-	
	Total Receipts	\$0.00	\$0.00	\$1,227,111.96	\$1,227,111.96	\$(1,227,111.96)	-	

**BREATHITT COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For The Year Ended June 30, 2022

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BREATHITT COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2022

SCHEDULE OF FEDERAL AWARDS & EXPENDITURES						
BREATHITT COUNTY FISCAL COURT						
FOR THE PERIOD OF: JULY 1, 2021 - JUNE 30, 2022						
NAME OF FEDERAL AGENCY	NAME OF STATE AGENCY	CFDA #	NAME OF PROGRAM	NAME OF GRANT/ GRANT ID	AMOUNT RECEIVED	AMOUNT EXPENDED
US Department of the Treasury	NA	21.027	American Resuce Plan Act	American Resuce Plan Act	\$1,226,614.50	\$0.00
Department of Military Affairs	Kentucky Emergency Management	97.042	EMA	Emergency Management/DES	\$15,674.58	\$15,674.58
US Department of Transportation FAA	FAA	20.106	FAA	Airport Improvement Program (AIP) Project	\$99,366.80	\$99,366.80
US Department of Housing and Urban Development	Kentucky Department of Local Government	14.228	Utility Assistance Project	CDBG Utility Assistance Project	\$50,000.00	\$50,000.00
Department of Military Affairs	Kentucky Emergency Management	97.036	FEMA	Public Assistance FEMA DR#4358	\$117,547.50	\$0.00
US Department of the Interior	Energy and Environmental Cabinet - AML	15.252	Abandoned Mine Lands Reclamation Program	Abandoned Mine Lands Reclamation Program	\$0.00	\$38,246.14
US Department of Housing and Urban Development	Kentucky Community Block Grant	16.033	Community Development Block Grant	Community Development Block Grant - FAHE/Juniper Health	\$169,310.00	\$174,310.00
Department of Military Affairs	Kentucky Emergency Management	97.036	FEMA	Public Assistance Emergency DR#4217	\$44,904.22	\$0.00
Department of Military Affairs	Kentucky Emergency Management	97.036	FEMA	Public Assistance Emergency DR#4428	\$0.00	\$321,361.73
Department of Military Affairs	Kentucky Emergency Management	97.036	FEMA	Public Assistance Emergency DR#4595	\$120,476.17	\$112,334.98
TOTALS:					\$1,843,893.77	\$811,294.23
ENTITY ELIGIBLE FOR SINGLE AUDIT?:		YES				

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Mark Hill

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

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

Independent Auditor's Report

The Honorable Jeff Noble, Breathitt County Judge/Executive
Members of the Breathitt County Fiscal Court

We were engaged to audit, 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 financial activity in the Fourth Quarter Financial Report of the Breathitt County Fiscal Court for the fiscal year ended June 30, 2022, and have issued our report thereon dated September 26, 2023. Our report disclaims an opinion on the financial statement because the failure to maintain sufficient supporting documentation and accounting records, failure to have segregation of duties, and management override of controls, created an environment in which financial records were inaccurate and funds could be misappropriated.

Report on Internal Control Over Financial Reporting

In connection with our engagement to audit the financial statement, we considered the Breathitt County Fiscal Court's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Breathitt County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Breathitt County Fiscal Court's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2022-001, 2022-002, 2022-003, and 2022-004 to be material weaknesses.



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

Report on Compliance And Other Matters

In connection with our engagement to audit the financial activity of the Breathitt County Fiscal Court, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2022-001, 2022-002, 2022-003, and 2022-004.

Views of Responsible Official and Planned Corrective Action

Breathitt County's views and planned corrective action for the findings identified in our audit are included in the accompanying Schedule of Findings and Questioned Costs. The county's responses were not subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts
Frankfort, Ky

September 26, 2023

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With The Uniform Guidance

Independent Auditor's Report

The Honorable Jeff Noble, Breathitt County Judge/Executive
Members of the Breathitt County Fiscal Court

Report on Compliance for Each Major Federal Program

Disclaimer of Opinion on ALN #97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters)

We were engaged to audit the Breathitt County Fiscal Court's compliance with the types of compliance requirements identified as subject to audit in the Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the Breathitt County Fiscal Court's major federal programs for the year ended June 30, 2022. The Breathitt County Fiscal Court's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

We do not express an opinion on the Breathitt County Fiscal Court's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on ALN #97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters). Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion on ALN #97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters)

During the audit, significant risks were identified, including failure to maintain sufficient supporting documentation and accounting records, lack of segregation of duties, and management override of controls. Due to the county's failure to maintain adequate accounting records, and other failures noted, we were unable to perform sufficient audit procedures to overcome the significant risks. The significance of these matters, in the aggregate, prevents us from placing reliance on the schedule of expenditures of federal awards and from obtaining audit evidence supporting Breathitt County Fiscal Court's compliance with (state compliance areas) applicable to ALN #97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters) as described in finding number 2022-005. As a result of these matters, we were unable to determine whether the Breathitt County Fiscal Court complied with the requirements applicable to ALN #97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters).

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, regulations, rules, and provisions of contracts or grant agreements applicable to Breathitt County Fiscal Court's federal programs.



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

Auditor's Responsibilities for the Audit of Compliance

Our responsibility is to conduct an audit of compliance in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance and to issue an auditor's report for the year ended June 30, 2022. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on compliance.

We are required to be independent of Breathitt County Fiscal Court and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

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 identified during the audit.

Report on Internal Control over Compliance

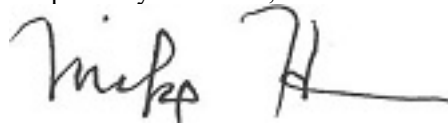
Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2022-005 to be a material weakness.

Government Auditing Standards requires the auditor to perform limited procedures on Breathitt County Fiscal Court's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Breathitt County Fiscal Court's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts
Frankfort, Ky

September 26, 2023

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

For The Year Ended June 30, 2022

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BREATHITT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2022

Section I: Summary of Auditor's Results

Financial Statement

Type of report the auditor issued: Disclaimed

Internal control over financial reporting:

Are any material weaknesses identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are any significant deficiencies identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Are any noncompliances material to financial statements noted?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Federal Awards

Internal control over major programs:

Are any material weaknesses identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are any significant deficiencies identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Type of auditor's report issued on compliance for major federal programs: Disclaimed Opinion		
Are any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
97.036	Disaster Grants Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000	
Auditee qualified as a low-risk auditee?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

BREATHITT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022
(Continued)

Section II: Financial Statement Findings

2022-001 The Breathitt County Fiscal Court Failed To Implement And Maintain An Effective Internal Control Environment

This is a repeat finding and was included in the prior year audit report as finding 2021-001. During our engagement to audit, significant risks were identified, including failure to maintain sufficient supporting documentation and accounting records, lack of segregation of duties, and management override of controls. Due to the county's failure to maintain adequate accounting records, and other failures noted below, we were unable to perform sufficient audit procedures to overcome the significant risks. Therefore, we cannot issue an opinion on the Breathitt County Fiscal Court's financial statement and on compliance for each major federal program or give reasonable assurance the financial statement and the schedule of expenditures of federal awards are free from material error or fraud. A disclaimer of opinion will be issued.

In the audit procedures we were able to perform, we noted the following issues:

- Failure to maintain supporting documentation for \$938,698 of occupational tax receipts (See finding 2022-002).
- The jail fund had a reconciled deficit balance of (\$31,874).
- Failure to maintain accounting records, including records for the justice center corporation fund and an accurate capital asset schedule.
- Failure to obtain proper approval for one of the budget amendments.
- Failure to prepare an annual settlement in accordance with KRS 68.020.
- Failure to implement proper internal controls over disbursements (See finding 2022-003).
- Failure to implement proper internal controls over payroll disbursements (see finding 2022-004).
- Failure to establish and maintain effective internal controls over compliance with FEMA requirements (See finding 2022-005).

The Breathitt County Fiscal Court did not provide sufficient oversight for management's day-to-day financial activities. Without sufficient oversight, management did not follow established internal control procedures or ensure compliance with laws and regulations.

The Breathitt County Fiscal Court's current practices could create an environment for potential undetected material misstatements in the financial statements caused either by error or fraud. The noted weaknesses could affect the fiscal court's ability to ensure that financial data is recorded, processed, and reported in an accurate and reliable manner and ensure that assets are sufficiently safeguarded. If the Breathitt County Fiscal Court continues these poor financial practices and does not improve the internal control structure, taxpayer monies will continue to be at risk. In addition, various local and state agencies that rely on and monitor the financial and program activity of the Breathitt County Fiscal Court cannot rely on, or have any confidence in, the reports submitted by the Breathitt County Fiscal Court.

Proper accounting procedures and internal controls require that financial statements be supported with accurate underlying accounting records. Strong internal controls over financial reporting are vital in ensuring the fiscal court's financial statement accurately reflects the financial activity of the fiscal court and ensures compliance with applicable state and federal laws and regulations. Additionally, complete, and accurate financial records can ensure expenditures are made only when sufficient funds are available, and receipts are properly recorded.

In addition, 2 CFR 200.303 states in part, "[t]he non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award."

BREATHITT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022
(Continued)

Section II: Financial Statement Findings (Continued)

2022-001 The Breathitt County Fiscal Court Failed To Implement And Maintain An Effective Internal Control Environment (Continued)

We recommend the Breathitt County Fiscal Court provide sufficient management oversight of the day-to-day financial activities of the county. We further recommend the fiscal court improve its overall control environment in order to ensure sufficient accounting records are maintained to support transactions, accounts are reconciled, and bills are paid timely, and duties are adequately segregated to safeguard public assets. Only with a strong internal controls system can the fiscal court prepare and ensure that complete and accurate financial reports are produced and that the county is in compliance with each major federal program's guidelines. This finding will be referred to the Kentucky Department for Local Government.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The Breathitt County Fiscal Court has hired a new County Treasurer since the completion of the 2022 audit who will ensure stronger internal controls are maintained in her official capacity and will be working with additional staff members, such as the Finance Officer and Occupational Tax Administrator, to segregate duties in a more controlled method. The newly hired County Treasurer will work to resolve the following issues by the end of the calendar year in the following manner.

- *Maintaining supporting documentation.*
- *Maintaining accurate accounting records.*
- *Obtaining proper approval for budget amendments.*
- *Failure to prepare financial statements timely -the new Treasurer will complete the annual statement in accordance with KRS 68.020 in a timely manner.*

2022-002 The Breathitt County Fiscal Court Did Not Maintain Supporting Documentation In The Amount Of \$938,698 Of Occupational Tax Receipts

The fiscal court did not maintain supporting documentation in the amount of \$938,698 of occupational tax receipts. Per the county's ordinance, the taxpayers are required to send in a tax return to the fiscal court which includes the amount of wages and the percentage that is due the fiscal court. However, the fiscal court did not maintain these returns. Without this supporting documentation, the amount of taxes due the fiscal court per the ordinance could not be determined.

The fiscal court failed to adequately assess risk associated with occupational tax collections and has not implemented effective internal controls, review procedures, or oversight for occupational tax collections. The Breathitt County Fiscal Court's current practices over the collections of occupational tax receipts could create an environment for undetected material misstatements in the financial statements caused either by error or fraud. The noted weaknesses could affect the fiscal court's ability to ensure that financial data is recorded, processed, and reported in an accurate and reliable manner.

Proper accounting procedures and internal controls require that financial statements be supported with accurate underlying accounting records. Strong internal controls over financial reporting are vital in ensuring the fiscal court's financial statement accurately reflects the financial activity of the fiscal court and ensures compliance with applicable laws and regulations.

We recommend the fiscal court implement effective internal controls, review procedures, and oversight for occupational tax collections and document the procedures performed that ensure recorded amounts are complete, accurate, and free of material misstatement.

BREATHITT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022
(Continued)

Section II: Financial Statement Findings

2022-002 The Breathitt County Fiscal Court Did Not Maintain Supporting Documentation In The Amount Of \$938,698 Of Occupational Tax Receipts (Continued)

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The Breathitt County Fiscal Court has hired a new County Treasurer since the completion of the 2022 audit who will ensure stronger internal controls are maintained in her official capacity and will be working with additional staff members, including the Occupational Tax Administrator. Effective immediately all occupational tax receipts and tax returns will be maintained by the Fiscal Court.

2022-003 The Breathitt County Fiscal Court Did Not Implement Proper Internal Controls Over Disbursements

The fiscal court did not implement adequate procedures and oversight regarding the documentation, preparation, and authorization of disbursements. The fiscal court did not follow proper procedures and requirements for disbursements of county funds. The follow deficiencies were noted during the testing of disbursements:

- A transaction paid with management's credit card did not follow normal procurement processes. During the fiscal year, a vendor that did not win the bid for the year was paid with the county judge/executive's credit card after this vendor was not awarded the bid for an invoice that was not presented to the fiscal court.
- Twenty-one transactions totaling \$776,243 did not have supporting documentation.
- Thirty-nine transactions did not have detailed support for the credit card transaction.
- Purchase orders were not issued for the 75 disbursements tested and 17 invoices tested were not paid within 30 days.
- Proper bid documentation was not properly maintained for transactions that exceeded the county's administrative code bid threshold of \$20,000.
- An encumbrance list was not maintained.

The fiscal court's failure to establish effective internal controls over disbursements resulted in numerous instances of noncompliance, negative unencumbered cash balances, and violations of the county's administrative code as reflected above. The lack of proper accounting practices, internal controls, and management oversight increases the risk of undetected misstatements and fraud.

Effective internal controls provide for adequate segregation of duties and prevent the same person from having a significant role in incompatible functions. Segregation of duties and proper oversight helps prevent fraud or misappropriation of assets and protects employees in the normal course of performing their daily responsibilities. Effective internal controls and proper oversight also help ensure compliance with state and federal laws, regulations, and grant agreements. Without these effective internal controls the procurement process could be circumvented, and disbursements could be processed outside the normal procurement process.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The uniform system of accounts is set forth in the Department for Local Government's *County Budget Preparation And State Local Finance Officer Policy Manual* which states, "[p]urchases shall not be made without approval by the judge/executive (or designee), and/or a department head...Purchase requests shall not be approved in an amount that exceeds the available line item appropriation unless the necessary and appropriate transfers have been made." The Department for Local Government requests that purchase orders be issued for all disbursements. In addition, good internal controls dictate that disbursements should be properly supported as evidenced by invoices and/or at a minimum evidenced by supporting documentation that supports the amount.

**BREATHITT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022
(Continued)**

Section II: Financial Statement Findings (Continued)

2022-003 The Breathitt County Fiscal Court Did Not Implement Proper Internal Controls Over Disbursements
(Continued)

The version of KRS 424.260(1) in effect during the fiscal year ending June 30, 2022 stated, “[e]xcept where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract, lease, or other agreement for: (a) Materials; (b) Supplies, except perishable foods such as meat, poultry, fish, egg products, fresh vegetables, and fresh fruits; (c) Equipment; or (d) Contractual services other than professional; involving an expenditure of more than thirty thousand dollars (\$30,000) without first making newspaper advertisement for bids.” However, according to the administrative code adopted by the county, “any expenditure or contract for materials, supplies (except perishable meat, fish, and vegetables, equipment or for contractual services other than professional, involving an expenditure of more than twenty thousand dollars (\$20,000) shall be subject to competitive bidding.”

We recommend the fiscal court implement policies and procedures to ensure disbursements are in compliance with applicable statutes and regulations. Additionally, we recommend the fiscal court put into place internal controls to monitor that these policies and procedures are operating effectively.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive’s Response: With the hiring of the new County Treasurer the Fiscal Court is already maintaining stronger internal controls over keeping detailed support of expenditures and credit cards transactions. The Breathitt County Fiscal Court has adopted the KY Model Procurement Code and is already ensuring that proper procedures surrounding the procurement process be maintained at all times, including proper bid documentation. Encumbrance lists will be maintained moving forward. Additionally, the Fiscal Court has changed software systems & is currently in the process of setting up the new system with all records which will allow for better tracking of purchase orders moving forward.

2022-004 The Breathitt County Fiscal Court Did Not Implement Proper Internal Controls Over Payroll Disbursements

The fiscal court did not implement adequate procedures and oversight regarding the documentation, preparation, and authorization of payroll disbursements. The fiscal court did not follow proper procedures and requirements for payroll disbursements. The following deficiencies were noted during the testing of payroll disbursements:

- The payroll account had 21 instances of a negative daily balance with the highest negative balance during the period being \$73,468.
- Failure to perform accurate reconciliations: the payroll account was not properly reconciled and had a negative \$5,702 balance as of June 30, 2022.
- Federal and state tax obligations were not paid timely.
- The county did not approve a current year annual pay rate list.
- The county lacks controls over payroll checks. Blank payroll checks were observed in an unsecured environment.
- The treasurer received training incentive pay without supporting documentation.

The fiscal court failed to adequately assess the risk associated with payroll processing and failed to implement adequate internal controls regarding the documentation, preparation, and authorization of payroll. There were no significant review procedures in place or adequate oversight to ensure the completeness and accuracy of payroll information.

**BREATHITT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022
(Continued)**

Section II: Financial Statement Findings (Continued)

2022-004 The Breathitt County Fiscal Court Did Not Implement Proper Internal Controls Over Payroll Disbursements (Continued)

Failure to implement adequate controls over payroll increases the risk of undetected material misstatements and fraud, especially considering payroll constitutes a large portion of the county's budget. Numerous previously undetected errors were noted by the auditors for payroll processing and the fiscal court is in violation of various statutes.

In order for internal controls to be effective in preventing and detecting errors, misstatements, and fraud, the functions of any significant process should be separated. If segregation is not possible or practical, the fiscal court could implement and document compensating controls to reduce the risk associated with inadequate segregation of duties. Strong compensating controls could include review of payroll reports, review of payroll payments, comparison of payroll documentation to amounts recorded, reconciliation of withholding, and matching reports to supporting documentation. Further, review procedures and oversight should be exercised consistently to detect errors and to reconcile payroll to supporting documentation.

We recommend the fiscal court implement effective internal controls, review procedures, and oversight for payroll processing to ensure the completeness and accuracy of all payroll information.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: With the hiring of the new County Treasurer the Fiscal Court is already maintaining stronger internal controls over payroll disbursements. Moving forward accounts will be properly reconciled and obligations met in a timely manner. Proper documentation will be maintained to support all disbursements. Annual pay rate lists will be established. Proper review procedures and oversight for payroll processing to ensure completeness and accuracy will be maintained.

Section III: Federal Award Findings And Questioned Costs

2022-005 The Breathitt County Fiscal Court Did Not Establish And Maintain Effective Internal Controls Over Compliance With FEMA Requirements

Federal Program: Assistance Listing # 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Award Number and Year: 4428 PW# 493 2019

Name of Federal Agency and Pass-Thru Agency (if applicable): U.S. Department of Homeland Security and Kentucky Emergency Management

Compliance Requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Matching, Level of Effort, Earmarking; Period of Performance; Reporting; Special Tests & Provisions

Type of Finding: (Material Weakness, Noncompliance)

Amount of Questioned Costs: \$236,464

Opinion Modification (if applicable): Disclaimer

COVID Related: No

BREATHITT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022
(Continued)

Section III: Federal Award Findings And Questioned Costs (Continued)

2022-005 The Breathitt County Fiscal Court Did Not Establish And Maintain Effective Internal Controls Over Compliance With FEMA Requirements (Continued)

The Breathitt County fiscal court did not establish and maintain effective internal controls over compliance with Federal Emergency Management Agency (FEMA) requirements. Purchase orders were not consistently used for the approval and tracking of federal expenditures. Transactions requiring bids were not presented to the fiscal court for approval.

From the sample of 11 invoices tested there were nine instances of noncompliance and lack of controls over compliance regarding purchase orders and bid approvals.

The deficiencies listed occurred due to lack of monitoring of controls, which diminishes the effectiveness of the controls put in place over disbursements by fiscal court. These deficiencies could create errors in recording or allow for the possibility of misappropriation of assets.

Transactions were initiated without considering available line item balances and tracking with the use of a purchase order. Items requiring the bid process were not presented to the fiscal court for the approval of bids.

Proper internal controls over expenditures are important to ensure purchase orders are created with sufficient funds available, include proper supporting documentation, and are paid in a timely manner. KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Per the *County Budget Preparation and State Local Finance Officer Policy Manual*, issued by the Department for Local Government (DLG), “[p]urchases shall not be made without approval by the judge/executive (or designee), or a department head.” In addition, according to the fiscal court’s administrative code, transactions exceeding \$20,000 are subject to the bidding process.

We recommend fiscal court design and implement proper internal controls over compliance with federal program requirements and ensure they are operating effectively.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive’s Response: The Breathitt County Fiscal Court has adopted the KY Model Procurement Code, effective in August 2023. In addition the Fiscal Court hired a new Applicant Agent in January 2023 and transitioned all FEMA related work to the in-house Applicant Agent in August of 2023 rather than contracting services through the Disaster Recovery firm the court had been working with prior to August 2023. With the hiring of the new Applicant Agent, proper bid documentation is being maintained & proper procedures are being followed for procurement of bids. The Breathitt County Fiscal Court has also changed the software used for tracking purchase orders which will allow for better tracking of both planned expenditures and already expended funds.

Section IV: Summary Schedule of Prior Audit Findings

Finding Number	Prior Year Finding Title	Status	Corrective Action
2021-001	The Breathitt County Fiscal Court Failed To Implement And Maintain An Effective Internal Control Environment	Partially resolved	Hiring of new staff will resolve many findings. New software is being used and records are being maintained accurately.

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

BREATHITT COUNTY FISCAL COURT

For The Year Ended June 30, 2022

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CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAM

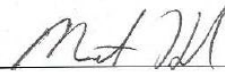
COUNTY FISCAL COURT

For The Year Ended June 30, 2022

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



County Judge/Executive



County Treasurer