

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

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



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

Independent Auditor's Report

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

Report on the Audit of the Financial Statement

Adverse and Qualified Opinions

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances – Regulatory Basis of the Cumberland County Fiscal Court, for the year ended June 30, 2023, and the related notes to the financial statement, which collectively comprise the Cumberland County Fiscal Court's financial statement as listed in the table of contents.

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 Cumberland 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.

Qualified Opinion on the Regulatory Basis of Accounting

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the receipts, disbursements, and changes in fund balances – regulatory basis of the Cumberland County Fiscal Court, for the year ended June 30, 2023, in accordance with accounting prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

Basis for Adverse and Qualified 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 Cumberland 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 adverse and qualified opinions.



To the People of Kentucky
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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 Cumberland 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.

Basis for Qualified Opinion on the Regulatory Basis of Accounting

The Roads disbursements category in the Road Fund on the Statement of Receipts, Disbursements, and Changes in Fund Balances – Regulatory Basis accounts for a significant portion of the Road Funds disbursements. We issued a qualified opinion on this statement because there was no supporting documentation for Roads disbursements category amounts claimed as grant disbursements as of June 30, 2023. As a result, the auditor was unable to obtain sufficient appropriate evidence about the grant amounts for claims at June 30, 2023. The Roads disbursement category amounts for claims at June 30, 2023, affects the determination of claims disbursements at the year ended June 30, 2023, which materially affect the presentation of the Roads disbursements category in the road fund for the year ended June 30, 2023. This matter was confined to only the activity pertaining to the Roads disbursements category and was not deemed pervasive throughout the road fund or the other funds presented.

Responsibilities of Management for the Financial Statement

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cumberland County Fiscal Court's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statement

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

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

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 Cumberland County Fiscal Court's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cumberland County Fiscal Court's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Cumberland County Fiscal Court. The Budgetary Comparison Schedules are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

The accompanying Budgetary Comparison Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effects on the Budgetary Comparison Schedules of the Cumberland County Fiscal Court's failure to maintain sufficient supporting documentation for Roads disbursements category amounts within the road fund, the Budgetary Comparison Schedules are fairly stated in all material respects in relation to the financial statement as a whole.

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Other Matters (Continued)

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2024, on our consideration of the Cumberland 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 Cumberland County Fiscal Court's internal control over financial reporting and compliance.

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

- 2023-001 The Cumberland County Fiscal Court Did Not Maintain Documentation Of Federal Emergency Management Agency (FEMA) Grant Disbursements
- 2023-002 The Cumberland County Fiscal Court Did Not Properly Budget And Record All Debt On The Fourth Quarter Financial Report
- 2023-003 The Cumberland County Fiscal Court Did Not Follow Bidding Requirements Or Have Adequate Controls Over Bidding Procedures

Respectfully submitted,



Allison Ball
 Auditor of Public Accounts
 Frankfort, Ky

June 12, 2024

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

Luke King	County Judge/Executive
Rondall Wray	Magistrate
Lane Cope	Magistrate
Larry Anderson	Magistrate
Jeffery Cyphers	Magistrate

Other Elected Officials:

Coleman Hurt	County Attorney
Thomas Brown	Jailer
Bryan Morgan	County Clerk
Tracy Brewington	Circuit Court Clerk
Keaton Williams	Sheriff
Gina Shaye Watson	Property Valuation Administrator
Gary White	Coroner

Appointed Personnel:

Stacey Thrasher	County Treasurer/Tax Administrator
Eugenia Ferguson	County Finance Officer

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

For The Year Ended June 30, 2023

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

For The Year Ended June 30, 2023

	Budgeted Funds			
	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund
RECEIPTS				
Taxes	\$ 1,123,112	\$	\$	\$
In Lieu Tax Payments	63,512			
Excess Fees	132,123			
Licenses and Permits	20,899			
Intergovernmental	452,751	3,096,149	91,366	37,375
Miscellaneous	97,695	40,200	4,692	
Interest	476	1,257	22	19
Total Receipts	<u>1,890,568</u>	<u>3,137,606</u>	<u>96,080</u>	<u>37,394</u>
DISBURSEMENTS				
General Government	784,065	16,975		19,461
Protection to Persons and Property	84,552		397,566	4,209
General Health and Sanitation	85,792			
Recreation and Culture	94,693			
Transportation Facility and Services		9,762		
Roads		1,757,738		
Debt Service	21,615	1,090,080		
Capital Projects		8,030		
Administration	448,898	296,871	42,171	12,406
Total Disbursements	<u>1,519,615</u>	<u>3,179,456</u>	<u>439,737</u>	<u>36,076</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>370,953</u>	<u>(41,850)</u>	<u>(343,657)</u>	<u>1,318</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds		310,600		
Transfers From Other Funds	5,381		338,700	
Transfers To Other Funds	(373,800)	(25,000)		
Total Other Adjustments to Cash (Uses)	<u>(368,419)</u>	<u>285,600</u>	<u>338,700</u>	
Net Change in Fund Balance	2,534	243,750	(4,957)	1,318
Fund Balance - Beginning	194,957	164,106	7,230	8,170
Fund Balance - Ending	<u>\$ 197,491</u>	<u>\$ 407,856</u>	<u>\$ 2,273</u>	<u>\$ 9,488</u>
Composition of Fund Balance				
Bank Balance	\$ 204,926	\$ 434,386	\$ 2,747	\$ 9,894
Less: Outstanding Checks	(7,435)	(26,530)	(474)	(406)
Fund Balance - Ending	<u>\$ 197,491</u>	<u>\$ 407,856</u>	<u>\$ 2,273</u>	<u>\$ 9,488</u>

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

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

Budgeted Funds						
Federal Grants Fund	Emergency 911 Fund	USDA Rural Development Fund	Clerk Storage Fee Fund	Health Services Fund	Community Development Block Grant Fund	Alcohol Beverage Control Fund
\$	\$ 227,035	\$	\$	\$	\$	\$ 74,749
17,050		15,410			10,000	
			13,241	392,892		
			1	1,709		151
<u>17,050</u>	<u>227,035</u>	<u>15,410</u>	<u>13,242</u>	<u>394,601</u>	<u>10,000</u>	<u>74,900</u>
96,629			1,490		10,000	96,587
13,050	224,244	21,791				
5,628						
				392,522		
30						2,392
<u>115,337</u>	<u>224,244</u>	<u>21,791</u>	<u>1,490</u>	<u>392,522</u>	<u>10,000</u>	<u>98,979</u>
(98,287)	2,791	(6,381)	11,752	2,079		(24,079)
29,219		5,881				
		(5,381)				
<u>29,219</u>		<u>500</u>				
(69,068)	2,791	(5,881)	11,752	2,079		(24,079)
<u>69,068</u>	<u>8,575</u>	<u>5,881</u>		<u>646,900</u>		<u>103,886</u>
<u>\$ 0</u>	<u>\$ 11,366</u>	<u>\$ 0</u>	<u>\$ 11,752</u>	<u>\$ 648,979</u>	<u>\$ 0</u>	<u>\$ 79,807</u>
\$	\$ 11,366	\$	\$ 11,752	\$ 648,979	\$	\$ 80,106
						(299)
<u>\$ 0</u>	<u>\$ 11,366</u>	<u>\$ 0</u>	<u>\$ 11,752</u>	<u>\$ 648,979</u>	<u>\$ 0</u>	<u>\$ 79,807</u>

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

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

	Budgeted Funds		Unbudgeted	Total
	American Rescue Plan Act Fund	Opioid Settlement Fund	Public Properties Corporation Fund	
RECEIPTS				
Taxes	\$	\$	\$	\$ 1,424,896
In Lieu Tax Payments				63,512
Excess Fees				132,123
Licenses and Permits				20,899
Intergovernmental	692,346		438,998	4,851,445
Miscellaneous		85,800		634,520
Interest	538	59	131	4,363
Total Receipts	692,884	85,859	439,129	7,131,758
DISBURSEMENTS				
General Government	145,581			1,170,788
Protection to Persons and Property	11,214			756,626
General Health and Sanitation	25,000			116,420
Recreation and Culture				94,693
Transportation Facility and Services				9,762
Roads				1,757,738
Debt Service			438,998	1,943,215
Capital Projects				8,030
Administration	7,604	50		810,422
Total Disbursements	189,399	50	438,998	6,667,694
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	503,485	85,809	131	464,064
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds				310,600
Transfers From Other Funds	25,000			404,181
Transfers To Other Funds				(404,181)
Total Other Adjustments to Cash (Uses)	25,000			310,600
Net Change in Fund Balance	528,485	85,809	131	774,664
Fund Balance - Beginning	466,262		1,479	1,676,514
Fund Balance - Ending	<u>\$ 994,747</u>	<u>\$ 85,809</u>	<u>\$ 1,610</u>	<u>\$ 2,451,178</u>
Composition of Fund Balance				
Bank Balance	\$ 1,094,747	\$ 85,809	\$ 1,610	\$ 2,586,322
Less: Outstanding Checks	(100,000)			(135,144)
Fund Balance - Ending	<u>\$ 994,747</u>	<u>\$ 85,809</u>	<u>\$ 1,610</u>	<u>\$ 2,451,178</u>

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

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TO THE FINANCIAL STATEMENT**

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**CUMBERLAND COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2023

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The Cumberland County Hospital Association, Inc. (Hospital Association) and the Cumberland County Tourism Commission would have been included in the reporting entity under accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. However, under the regulatory basis, they no longer are required components of the reporting entity. Audits of the Cumberland County Hospital Association, Inc. (Hospital Association) and the Cumberland County Tourism Commission can be obtained from the Cumberland County Fiscal Court at 600 Courthouse Square, Burkesville, KY 42717.

B. Basis of Accounting

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

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

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

CUMBERLAND 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)

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

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal governments 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 Grants Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary source of receipts is grants from the federal government.

Emergency 911 Fund - The primary purpose of this fund is to account for emergency dispatch and services. The primary source of receipts is the 911 fee charged to county residents.

United States Department of Agriculture Rural Development Fund - The primary purpose of this fund is to account for a loan received to purchase vehicles. The primary source of receipts is a loan from the federal government (USDA).

Clerk Storage Fee Fund - The primary purpose of this fund is to account for storage fees collected by the county clerk and disbursements related to permanent storage for the county clerk's office. These funds are required to be held and budgeted by the county treasurer for the use of the county clerk.

Health Services Fund - The primary purpose of the fund is to account for the acquisition, construction, and financing of public health facility projects and the related debt service payments.

Community Development Block Grant Fund - The primary purpose of this fund is to account for the purchase of equipment for a project. The primary source of receipts is grants from the federal government.

Alcohol Beverage Control Fund - The primary purpose of this fund is to account for alcoholic beverage tax receipts and disbursements. The primary source of receipts is from taxes collected on alcohol sales.

American Rescue Plan Act Fund - The primary purpose of this fund is to account for federal receipts and disbursements associated with the American Rescue Act (ARPA).

Opioid Settlement Fund - The primary purpose of this fund is to account for receipts and disbursements associated with the funds received from the state's settlement with three major pharmaceutical distributors in the United States.

CUMBERLAND 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 fund:

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

D. Budgetary Information

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

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

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

The state local finance officer does not require the public properties corporation fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

E. Cumberland County Elected Officials

Kentucky law provides for election of the officials listed below from the geographic area constituting Cumberland County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of the Cumberland County Fiscal Court.

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments

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

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

G. Long-term Obligations

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

H. Related Obligations and Joint Ventures

A related organization are associated or affiliated with, have control over, or are controlled by, each other. However, a related organization can be an entity for which a primary government is not financially accountable, but the primary government is still accountable because it appoints a voting majority of the board. The Cumberland County Fiscal Court appoints the commissioners of the Cumberland County Water District, thus making them related organizations.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. The Cumberland County Fiscal Court entered an interlocal agreement with City of Burkesville for operation of Cumberland County E-911 Board. The Cumberland County Fiscal Court entered a multi-county agreement with Clinton and Wayne counties to form the Tri-County Animal Control. Joint control and financial interest/responsibility exists between entities within each of these agreements, thus creating joint ventures. Regional governments or other multi-governmental arrangements that are governed by representatives from each of the governments that created the organizations but are not joint ventures because the participants do not retain an ongoing financial interest or responsibility is a jointly governed organization. The Cumberland County Fiscal Court entered an agreement with the city of Burkesville to form the Burkesville/Cumberland County Industrial Development Authority but have no financial interest, thus creating a joint governed organization.

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

Note 2. Deposits

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

Custodial Credit Risk - Deposits

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

Note 3. Transfers

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

	General Fund	Road Fund	USDA Rural Development Fund	Total Transfers In
General Fund	\$	\$	\$ 5,381	\$ 5,381
Jail Fund	338,700			338,700
Federal Grants Fund	29,219			29,219
ARPA Fund		25,000		25,000
USDA Rural Development Fund	5,881			5,881
Total Transfers Out	<u>\$ 373,800</u>	<u>\$ 25,000</u>	<u>\$ 5,381</u>	<u>\$ 404,181</u>

Reason for transfers:

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

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

Note 4. Leases

1. Lessor

- A. On February 4, 2004, the Cumberland County Public Properties Corporation, a blended component unit of the fiscal court, began leasing the judicial center to the Administrative Office of the Courts (AOC). The lease is for a two-year period and the rental payments shall agree to the annual principal and interest costs on the bonds issued for the financing of the building construction. On July 1 of each even numbered year, the lease may be renewed by AOC, for another biennial period of two years. The lease renewal shall automatically be considered to have affirmatively exercised each even numbered year by AOC, unless notice of its election not to exercise the option for the biennial period be given by AOC to the corporation, the trustee, and the county in writing at least 60 days prior to the renewal date hereof. Rental payments are due at least two business days prior to March 1 and September 1. The corporation recognized \$31,890 in lease revenue during the current fiscal year. As of June 30, 2023, the corporation's receivable for lease payments was \$30,000.
- B. On October 27, 2011, the Cumberland County Public Properties Corporation, a blended component unit of the fiscal court, began leasing the judicial center to the Administrative Office of the Courts (AOC). The lease is for a two-year period and the rental payments shall agree to the annual principal and interest costs on the bonds issued for the financing of the building construction. On July 1 of each even numbered year, the lease may be renewed by AOC, for another biennial period of two years. The lease renewal shall automatically be considered to have affirmatively exercised each even numbered year by AOC, unless notice of its election not to exercise the option for the biennial period be given by AOC to the corporation, the trustee, and the county in writing at least 60 days prior to the renewal date hereof. Rental payments are due at least two business days prior to March 1 and September 1. The corporation recognized \$407,108 in lease revenue during the current fiscal year. As of June 30, 2023, the corporation's receivable for lease payments was \$405,000.

2. Lessee

- A. In April 2021, the Cumberland County Fiscal Court entered into a four-year lease agreement as lessee for the acquisition and use of office equipment. An initial lease liability was recorded in the amount of \$3,096 during fiscal year 2021. As of June 30, 2023, the value of the lease liability was \$1,419. The Cumberland County Fiscal Court is required to make monthly payments of \$65.

The future lease payments as of June 30, 2023, were as follows:

Fiscal Year Ended June 30	Amount
2024	\$ 387
2025	774
2026	258
Total Minimum Lease Payments	<u>\$ 1,419</u>

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

Note 5. Short-term Debt

A. Direct Borrowings and Direct Placements

1. FEMA Project #25

On December 20, 2022, the fiscal court entered into a general obligation fixed rate lease with the trust to refinance a FEMA project. The principal was \$310,600 at an interest rate of 5.19% which includes an administrative fee of 1.30% for one year, with interest paid monthly. The principal outstanding as of June 30, 2023 was \$260,600. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2024	\$ 260,600	\$ 8,569
Totals	\$ 260,600	\$ 8,569

B. Changes In Short-term Debt

Short-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	\$	\$ 310,600	\$ 50,000	\$ 260,600	\$ 260,600
Total Short-term Debt	\$ 0	\$ 310,600	\$ 50,000	\$ 260,600	\$ 260,600

Note 6. Long-Term Debt

A. Direct Borrowings and Direct Placements

For each item of debt listed below, the occurrence of any one or more of the following events constitutes an event of default under this lease: (a) lessee's failure to make any lease payment (or any other payment) as it becomes due in accordance with the terms of this lease; (b) failure by the lessee to vacate or surrender the project by the July 1 following an event of non-appropriation as provided in section 9; (c) lessee's failure to perform or observe any other covenant, condition or agreement to be performed or observed by it under this lease or any document delivered by the lessee pursuant to or in connection with this lease, and the failure is not cured or steps satisfactory to lessor taken to cure the failure, within 15 days after written notice of the failure to lessee by lessor; or (d) any material statement, representation or warrant made by the lessee in this lease or in any writing delivered by the lessee pursuant to or in connection with this lease is false, misleading or erroneous in any material respect.

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

Note 6. Long-Term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

1. Recycling Land/Building #10

On January 31, 2013, the fiscal court entered into a capital lease agreement with the trust for the purchase of a building and land for the recycling center. The principal was \$178,700 at an effective interest rate of 3.75% for a period of ten years, with principal and interest paid monthly. This lease was paid off on February 22, 2023.

2. Truck #17

On February 5, 2019, the fiscal court entered into a capital lease agreement with the trust for the purchase of a truck for the road department. The principal was \$126,442 at an interest of 5.18% which includes the administrative fee of 0.4% for a period of 5 years, with principal and interest paid monthly. The principal outstanding as of June 30, 2023, was \$38,958. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2024	\$ 23,002	\$ 1,477
2025	15,956	311
Totals	<u>\$ 38,958</u>	<u>\$ 1,788</u>

3. FEMA Project #18

On June 25, 2020, the fiscal court entered into a fixed rate lease with the trust to finance a FEMA project. The principal was \$767,000 at an effective interest rate of 3.36% which includes the administrative fee of 0.4% for a period of 2.5 years, with principal paid annually and interest paid monthly. The remaining amount due of \$310,600 was refinanced on December 20, 2022.

4. Flood Relief #21

On April 23, 2021, the fiscal court entered into a capital lease agreement with the trust for the financing of a flood relief project. The principal was \$500,000 at a fixed interest of 3.74%, with principal and interest paid monthly. The fiscal court was not required to start making payments on the lease until July 2022. The principal outstanding as of June 30, 2023, was \$336,763. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2024	\$ 79,535	\$ 11,241
2025	82,561	8,215
2026	85,703	5,073
2027	88,964	1,812
Totals	<u>\$ 336,763</u>	<u>\$ 26,341</u>

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

Note 6. Long-Term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

5. Truck #20

On January 6, 2021, the fiscal court entered into a capital lease agreement with the trust for the purchase of a truck for the road department. The principal was \$58,029 at a fixed interest of 3.74%, with principal and interest paid monthly. The principal outstanding as of June 30, 2023, was \$11,829. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2024	\$ 11,829	\$ 148
Totals	<u>\$ 11,829</u>	<u>\$ 148</u>

6. FEMA #19/24

On January 6, 2021, the fiscal court entered into a fixed rate lease with the trust to finance a FEMA project which was renewed on June 1, 2022. The principal was \$228,000 at a fixed interest rate of 3.74%, with principal paid annually and interest paid monthly. This lease was paid off on October 20, 2022.

7. Backhoe #22

On August 23, 2021, the fiscal court entered into a fixed rate lease with the trust for the purchase of a backhoe for the road department. The principal was \$126,749 at a fixed interest rate of 3.74%, with principal and interest paid monthly. The principal outstanding as of June 30, 2023, was \$85,387. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2024	\$ 25,178	\$ 2,765
2025	26,137	1,807
2026	27,130	812
2027	<u>6,942</u>	<u>43</u>
Totals	<u>\$ 85,387</u>	<u>\$ 5,427</u>

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

Note 6. Long-Term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

8. EM Vehicle #23

On August 23, 2021, the fiscal court entered into a fixed rate lease with the trust for the purchase of an emergency management vehicle. The principal was \$34,437 at a fixed interest rate of 3.74%, with principal and interest paid monthly. The principal outstanding as of June 30, 2023, was \$24,777. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2024	\$ 8,717	\$ 778
2025	9,048	447
2026	7,012	110
Totals	<u>\$ 24,777</u>	<u>\$ 1,335</u>

B. Other Debt

1. Cumberland Health Services Corporation Mortgage Revenue Bonds – Series 2012

On April 18, 2012, the Cumberland Health Services Corporation issued \$8,500,000 of mortgage revenue bonds for the purpose of financing the construction and equipment needed for hospital additions and improvements to the hospital and related facilities. If the lessee shall fail to pay the rentals due for the rental of the project property at the time herein stipulated and shall continue to fail to pay such rentals after receipt by the lessee from the issuer and/or from the trustee of 20 days written notice to cure such default, then this lease shall be immediately terminated, and all rights and any further options to renew this lease on the part of the lessee shall be terminated and forfeited to the issuer, provided that the obligation of the lessee to pay rentals due for the current rental year, to maintain insurance on the project property, and to operate, maintain, repair, replace, renovate, and improve same, shall continue until the expiration of the latest effective year. The bonds mature serially through January 1, 2051 and require annual principal payments on January 1 and semi-annual interest payments at an interest rate of 3.375% on January 1 and July 1 of each year. Bonds outstanding as of June 30, 2023 were \$7,311,500.

The Cumberland Health Services Corporation, a public, nonprofit governmental corporation established by the fiscal court, owns the hospital land and building. On April 1, 2012, the corporation entered into a lease agreement with the fiscal court to lease the hospital land and building. On the same day, the fiscal court entered into a sublease agreement with the Hospital Association, a nonprofit, private corporation, to operate the hospital. As part of the sublease agreement the Hospital Association is required to make monthly rental payments equal to the principal and interest on the 2012 bonds to be paid on January 1 each year. In addition, the Hospital Association is required to maintain certain deposits with a trustee under the corporation's name. The 2012 bonds are to be collateralized by all revenues generated by the hospital. All hospital assets are reported by the Hospital Association.

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

Note 6. Long-Term Debt (Continued)

B. Other Debt (Continued)

1. Cumberland Health Services Corporation Mortgage Revenue Bonds – Series 2012 (Continued)

Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2024	\$ 146,500	\$ 246,763
2025	152,500	241,819
2026	158,500	236,672
2027	165,000	231,323
2028	171,500	225,754
2029-2033	965,500	1,037,222
2034-2038	1,174,500	860,709
2039-2043	1,429,500	645,975
2044-2048	1,738,500	384,716
2049-2051	1,209,500	82,401
Totals	<u>\$ 7,311,500</u>	<u>\$ 4,193,354</u>

2. Cumberland County Public Properties Corporation Mortgage Revenue Bonds – Series 2004

On February 4, 2004, the Cumberland County Public Properties Corporation issued \$405,000 of mortgage revenue bonds to complete the construction of the justice center facility. In the event AOC shall elect not to renew the lease at any time, or fail to pay the stipulated AOC rentals, or the county shall elect not to renew the lease at any time, or fail to pay their stipulated proportionate share, then and in that event and upon ensuing default in the payment of the principle of or interest on the bonds, the mortgage, as the case may be, shall be enforced, which enforcement may, under the terms of the mortgage, include foreclosure of the liens created by the mortgage and sale of the project. The bonds mature serially through September 1, 2023 and require annual principal payments on September 1 and semi-annual interest payments at the rate of 4.2% on March 1 and September 1 of each year. Bonds outstanding as of June 30, 2023, were \$30,000. Future principal and interest requirements are:

Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2024	\$ 30,000	\$ 630
Totals	<u>\$ 30,000</u>	<u>\$ 630</u>

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

Note 6. Long-Term Debt (Continued)

B. Other Debt (Continued)

3. Cumberland County Public Properties Corporation Lease Refunding Revenue Bonds – Series 2011

On October 27, 2011, the Cumberland County Public Properties Corporation issued \$3,630,000 of lease refunding revenue bonds to partially refund the series 2002 mortgage revenue bonds used to construct the justice center facility. In the event AOC shall elect not to renew the lease at any time, or fail to pay the stipulated AOC rentals, or the county shall elect not to renew the lease at any time, or fail to pay their stipulated proportionate share, then and in that event and upon ensuing default in the payment of the principle of or interest on the bonds, the mortgage, as the case may be, shall be enforced, which enforcement may, under the terms of the mortgage, include foreclosure of the liens created by the mortgage and sale of the project. The bonds mature serially through September 1, 2023 and require annual principal payments on September 1 and semi-annual interest payments at rates ranging from 1% to 2.9% on March 1 and September 1 of each year. Bonds outstanding as of June 30, 2023, were \$405,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2024	\$ 405,000	\$ 5,873
Totals	\$ 405,000	\$ 5,873

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	\$ 1,511,435	\$	\$1,013,721	\$ 497,714	\$ 148,261
Revenue Bonds	8,307,500		561,000	7,746,500	581,500
Total Long-term Debt	\$ 9,818,935	\$ 0	\$ 1,574,721	\$ 8,244,214	\$ 729,761

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

Note 6. Long-Term Debt (Continued)

D. Aggregate Debt Schedule

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

Fiscal Year Ended June 30	Other Debt		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2024	\$ 581,500	\$ 253,266	\$ 148,261	\$ 16,409
2025	152,500	241,819	133,702	10,780
2026	158,500	236,672	119,845	5,995
2027	165,000	231,323	95,906	1,855
2028	171,500	225,754		
2029-2033	965,500	1,037,222		
2034-2038	1,174,500	860,709		
2039-2043	1,429,500	645,975		
2044-2048	1,738,500	384,716		
2049-2051	1,209,500	82,401		
Totals	<u>\$ 7,746,500</u>	<u>\$ 4,199,857</u>	<u>\$ 497,714</u>	<u>\$ 35,039</u>

Note 7. Employee Retirement System

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (Ky. Ret. Sys.). This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Effective April 1, 2021, the Kentucky Public Pension Authority (KPPA) was created by KRS 61.505 to provide staffing and daily administrative needs for CERS and Ky. Ret. Sys. The CERS nine (9) member board of trustees is responsible for the governance of the CERS pension and insurance plans.

The county's contribution for FY 2021 was \$236,109, FY 2022 was \$286,551, and FY 2023 was \$300,475.

Nonhazardous

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

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

Note 7. Employee Retirement System (Continued)

Nonhazardous (Continued)

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own accounts. Nonhazardous covered employees contribute 5 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 Ky. Ret. Sys. Board of Directors based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4 percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

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

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

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index. Benefits are covered under KRS 78.5536.

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

Note 7. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

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

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

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

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

C. Cost of Living Adjustments - Tier 1

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

D. 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.

E. 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.

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

Ky. Ret. Sys. issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Public Pensions Authority, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

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

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

Note 8. Deferred Compensation

The Cumberland County Fiscal Court voted on September 12, 2022 to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax-sheltered supplemental retirement plans for all state, public school and university employees, and employees of local political subdivisions that have elected to participate.

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

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

Note 9. Insurance

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

Note 10. Subsequent Event

On October 27, 2023, the fiscal court entered into a general obligation fixed rate lease with Kentucky Association of Counties Leasing Trust as administrator and Republic Bank & Trust Company as lessor to refinance a FEMA project. The principal was \$500,000 at an interest rate of 5.93% and an administrative fee of 0.6% for 2 years, with interest paid monthly.

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

For The Year Ended June 30, 2023

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CUMBERLAND COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2023

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 853,200	\$ 856,606	\$ 1,123,112	\$ 266,506
In Lieu Tax Payments	63,000	63,000	63,512	512
Excess Fees	21,600	82,579	132,123	49,544
Licenses and Permits	14,161	14,161	20,899	6,738
Intergovernmental	325,644	441,745	452,751	11,006
Miscellaneous	106,406	108,206	97,695	(10,511)
Interest	610	610	476	(134)
Total Receipts	<u>1,384,621</u>	<u>1,566,907</u>	<u>1,890,568</u>	<u>323,661</u>
DISBURSEMENTS				
General Government	742,628	824,339	784,065	40,274
Protection to Persons and Property	82,778	87,819	84,552	3,267
General Health and Sanitation	79,653	96,846	85,792	11,054
Recreation and Culture	81,202	96,924	94,693	2,231
Debt Service	21,615	21,615	21,615	
Administration	458,502	466,826	448,898	17,928
Total Disbursements	<u>1,466,378</u>	<u>1,594,369</u>	<u>1,519,615</u>	<u>74,754</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(81,757)</u>	<u>(27,462)</u>	<u>370,953</u>	<u>398,415</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	196,000	196,000	5,381	(190,619)
Transfers To Other Funds	<u>(379,243)</u>	<u>(379,243)</u>	<u>(373,800)</u>	<u>5,443</u>
Total Other Adjustments to Cash (Uses)	<u>(183,243)</u>	<u>(183,243)</u>	<u>(368,419)</u>	<u>(185,176)</u>
Net Change in Fund Balance	(265,000)	(210,705)	2,534	213,239
Fund Balance - Beginning	<u>265,000</u>	<u>265,000</u>	<u>194,957</u>	<u>(70,043)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 54,295</u>	<u>\$ 197,491</u>	<u>\$ 143,196</u>

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

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 2,748,823	\$ 3,527,697	\$ 3,096,149	\$ (431,548)
Miscellaneous	6,300	35,999	40,200	4,201
Interest	800	800	1,257	457
Total Receipts	<u>2,755,923</u>	<u>3,564,496</u>	<u>3,137,606</u>	<u>(426,890)</u>
DISBURSEMENTS				
General Government	15,100	17,200	16,975	225
Transportation Facilities and Services	11,430	11,940	9,762	2,178
Roads	1,324,574	1,923,479	1,757,738	165,741
Debt Service	221,396	795,923	1,090,080	(294,157)
Capital Projects	316,556	317,656	8,030	309,626
Administration	970,867	602,298	296,871	305,427
Total Disbursements	<u>2,859,923</u>	<u>3,668,496</u>	<u>3,179,456</u>	<u>489,040</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(104,000)</u>	<u>(104,000)</u>	<u>(41,850)</u>	<u>62,150</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds			310,600	310,600
Transfers To Other Funds	<u>(196,000)</u>	<u>(196,000)</u>	<u>(25,000)</u>	<u>171,000</u>
Total Other Adjustments to Cash (Uses)	<u>(196,000)</u>	<u>(196,000)</u>	<u>285,600</u>	<u>481,600</u>
Net Change in Fund Balance	(300,000)	(300,000)	243,750	543,750
Fund Balance - Beginning	<u>300,000</u>	<u>300,000</u>	<u>164,106</u>	<u>(135,894)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 407,856</u>	<u>\$ 407,856</u>

CUMBERLAND 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	\$ 87,371	\$ 87,371	\$ 91,366	\$ 3,995
Charges for Services	300	300		(300)
Miscellaneous		4,198	4,692	494
Interest	30	30	22	(8)
Total Receipts	<u>87,701</u>	<u>91,899</u>	<u>96,080</u>	<u>4,181</u>
DISBURSEMENTS				
Protection to Persons and Property	435,327	435,796	397,566	38,230
Administration	40,617	44,346	42,171	2,175
Total Disbursements	<u>475,944</u>	<u>480,142</u>	<u>439,737</u>	<u>40,405</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(388,243)</u>	<u>(388,243)</u>	<u>(343,657)</u>	<u>44,586</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	379,243	379,243	338,700	(40,543)
Total Other Adjustments to Cash (Uses)	<u>379,243</u>	<u>379,243</u>	<u>338,700</u>	<u>(40,543)</u>
Net Change in Fund Balance	(9,000)	(9,000)	(4,957)	4,043
Fund Balance - Beginning	<u>9,000</u>	<u>9,000</u>	<u>7,230</u>	<u>(1,770)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,273</u>	<u>\$ 2,273</u>

CUMBERLAND 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	\$ 34,400	\$ 34,400	\$ 37,375	\$ 2,975
Interest	10	10	19	9
Total Receipts	<u>34,410</u>	<u>34,410</u>	<u>37,394</u>	<u>2,984</u>
DISBURSEMENTS				
General Government	18,122	20,773	19,461	1,312
Protection to Persons and Property	5,000	4,631	4,209	422
Social Services	500	94		94
Administration	22,788	20,912	12,406	8,506
Total Disbursements	<u>46,410</u>	<u>46,410</u>	<u>36,076</u>	<u>10,334</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(12,000)</u>	<u>(12,000)</u>	<u>1,318</u>	<u>13,318</u>
Net Change in Fund Balance	(12,000)	(12,000)	1,318	13,318
Fund Balance - Beginning	<u>12,000</u>	<u>12,000</u>	<u>8,170</u>	<u>(3,830)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 9,488</u>	<u>\$ 9,488</u>

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

	FEDERAL GRANTS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 159,000	\$ 172,050	\$ 17,050	\$ (155,000)
Total Receipts	<u>159,000</u>	<u>172,050</u>	<u>17,050</u>	<u>(155,000)</u>
DISBURSEMENTS				
General Government	224,068	249,100	96,629	152,471
Protection to Persons and Property		13,050	13,050	
General Health and Sanitation	4,000	5,628	5,628	
Administration		30	30	
Total Disbursements	<u>228,068</u>	<u>267,808</u>	<u>115,337</u>	<u>152,471</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(69,068)</u>	<u>(95,758)</u>	<u>(98,287)</u>	<u>(2,529)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			29,219	29,219
Total Other Adjustments to Cash (Uses)			<u>29,219</u>	<u>29,219</u>
Net Change in Fund Balance	(69,068)	(95,758)	(69,068)	26,690
Fund Balance - Beginning	<u>69,068</u>	<u>69,068</u>	<u>69,068</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (26,690)</u>	<u>\$ 0</u>	<u>\$ 26,690</u>

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

	EMERGENCY 911 FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 250,000	\$ 250,000	\$ 227,035	\$ (22,965)
Total Receipts	<u>250,000</u>	<u>250,000</u>	<u>227,035</u>	<u>(22,965)</u>
DISBURSEMENTS				
Protection to Persons and Property	<u>250,000</u>	<u>250,000</u>	<u>224,244</u>	<u>25,756</u>
Total Disbursements	<u>250,000</u>	<u>250,000</u>	<u>224,244</u>	<u>25,756</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			<u>2,791</u>	<u>2,791</u>
Net Change in Fund Balance			2,791	2,791
Fund Balance - Beginning			<u>8,575</u>	<u>8,575</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 11,366</u>	<u>\$ 11,366</u>

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

	USDA RURAL DEVELOPMENT FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$	15,411	\$ 15,410	\$ (1)
Total Receipts		15,411	15,410	(1)
DISBURSEMENTS				
Protection to Persons and Property		21,790	21,791	(1)
Total Disbursements		21,790	21,791	(1)
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(6,379)	(6,381)	(2)
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			5,881	5,881
Transfers To Other Funds			(5,381)	(5,381)
Total Other Adjustments to Cash (Uses)			500	500
Net Change in Fund Balance		(6,379)	(5,881)	498
Fund Balance - Beginning			5,881	5,881
Fund Balance - Ending	\$	0	\$ 0	\$ 6,379

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

CLERK STORAGE FEE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$	\$ 23,760	\$ 13,241	\$ (10,519)
Interest			1	1
Total Receipts		23,760	13,242	(10,518)
DISBURSEMENTS				
General Government		23,760	1,490	22,270
Total Disbursements		23,760	1,490	22,270
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			11,752	11,752
Net Change in Fund Balance			11,752	11,752
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 11,752	\$ 11,752

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

	HEALTH SERVICES FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 660,260	\$ 660,260	\$ 392,892	\$ (267,368)
Interest	2,417	2,417	1,709	(708)
Total Receipts	<u>662,677</u>	<u>662,677</u>	<u>394,601</u>	<u>(268,076)</u>
DISBURSEMENTS				
Debt Service	<u>662,677</u>	<u>662,677</u>	<u>392,522</u>	<u>270,155</u>
Total Disbursements	<u>662,677</u>	<u>662,677</u>	<u>392,522</u>	<u>270,155</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			<u>2,079</u>	<u>2,079</u>
Net Change in Fund Balance			2,079	2,079
Fund Balance - Beginning			<u>646,900</u>	<u>646,900</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 648,979</u>	<u>\$ 648,979</u>

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

COMMUNITY DEVELOPMENT BLOCK GRANT FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 67,238	\$ 67,238	\$ 10,000	\$ (57,238)
Total Receipts	<u>67,238</u>	<u>67,238</u>	<u>10,000</u>	<u>(57,238)</u>
DISBURSEMENTS				
General Government	67,238	67,238	10,000	57,238
Total Disbursements	<u>67,238</u>	<u>67,238</u>	<u>10,000</u>	<u>57,238</u>
Net Change in Fund Balance				
Fund Balance - Beginning				
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

ALCOHOL BEVERAGE CONTROL FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 100,000	\$ 100,000	\$ 74,749	\$ (25,251)
Interest	140	140	151	11
Total Receipts	<u>100,140</u>	<u>100,140</u>	<u>74,900</u>	<u>(25,240)</u>
DISBURSEMENTS				
General Government	88,341	117,316	96,587	20,729
Administration	<u>11,799</u>	<u>4,050</u>	<u>2,392</u>	<u>1,658</u>
Total Disbursements	<u>100,140</u>	<u>121,366</u>	<u>98,979</u>	<u>22,387</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>(21,226)</u>	<u>(24,079)</u>	<u>(2,853)</u>
Net Change in Fund Balance		(21,226)	(24,079)	(2,853)
Fund Balance - Beginning			<u>103,886</u>	<u>103,886</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (21,226)</u>	<u>\$ 79,807</u>	<u>\$ 101,033</u>

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

	AMERICAN RESCUE PLAN ACT FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 651,803	\$ 692,346	\$ 692,346	\$
Interest		261	538	(277)
Total Receipts	<u>651,803</u>	<u>692,607</u>	<u>692,884</u>	<u>(277)</u>
DISBURSEMENTS				
General Government	1,118,949	1,115,935	145,581	970,354
Protection to Persons and Property		11,214	11,214	
General Health and Sanitation		25,000	25,000	
Administration		7,604	7,604	
Total Disbursements	<u>1,118,949</u>	<u>1,159,753</u>	<u>189,399</u>	<u>970,354</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(467,146)</u>	<u>(467,146)</u>	<u>503,485</u>	<u>970,631</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			25,000	25,000
Total Other Adjustments to Cash (Uses)			<u>25,000</u>	<u>25,000</u>
Net Change in Fund Balance	(467,146)	(467,146)	528,485	995,631
Fund Balance - Beginning	<u>467,146</u>	<u>467,146</u>	<u>466,262</u>	<u>(884)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 994,747</u>	<u>\$ 994,747</u>

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

OPIOID SETTLEMENT FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Miscellaneous	\$	\$ 114,757	\$ 85,800	\$ (28,957)
Interest			59	59
Total Receipts		114,757	85,859	(28,898)
DISBURSEMENTS				
Administration		114,757	50	114,707
Total Disbursements		114,757	50	114,707
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			85,809	85,809
Net Change in Fund Balance			85,809	85,809
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 85,809	\$ 85,809

CUMBERLAND COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2023

Note 1. Budgetary Information

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

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

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

Note 2. Excess of Disbursements Over Appropriations

The Road Fund debt service line-item exceeded budgeted appropriations by \$294,157.

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

For The Year Ended June 30, 2023

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CUMBERLAND 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 and Land Improvements	\$ 791,751	\$	\$	\$ 791,751
Buildings and Building Improvements	5,937,279			5,937,279
Vehicles	788,203	29,583		817,786
Machinery and Equipment	1,622,436	5,800		1,628,236
Infrastructure	7,853,255	760,991		8,614,246
Total Capital Assets	<u>\$ 16,992,924</u>	<u>\$ 796,374</u>	<u>\$ 0</u>	<u>\$ 17,789,298</u>

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

June 30, 2023

Note 1. Capital Assets

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

	<u>Capitalization Threshold</u>	<u>Useful Life (Years)</u>
Land Improvements	\$ 10,000	20-25
Buildings and Building Improvements	\$ 25,000	10-60
Machinery and Equipment	\$ 5,000	5-20
Vehicles	\$ 5,000	5-20
Infrastructure	\$ 20,000	20-40

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

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ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

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

Independent Auditor's Report

The Honorable Luke King, Cumberland County Judge/Executive
Members of the Cumberland County Fiscal Court

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Cumberland County Fiscal Court for the fiscal year ended June 30, 2023, and the related notes to the financial statement which collectively comprise the Cumberland County Fiscal Court's financial statement and have issued our report thereon dated June 12, 2024. Our report qualified an opinion on the Roads disbursements category within the road fund on the financial statement because of the failure to maintain sufficient audit evidence related to disbursements in Roads and not providing sufficient oversight and monitoring of grant activity.

Report on Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2023-001, 2023-002, and 2023-003 be material weaknesses.



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

Report on Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Cumberland County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2023-001, 2023-002, and 2023-003.

Views of Responsible Official and Planned Corrective Action

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

Purpose of this Report

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

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

June 12, 2024

**CUMBERLAND COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2023

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**CUMBERLAND COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2023

FINANCIAL STATEMENT FINDINGS:

2023-001 The Cumberland County Fiscal Court Did Not Maintain Documentation Of Federal Emergency Management Agency (FEMA) Grant Disbursements

The Cumberland County Fiscal Court received grant funds of \$1,805,558 during fiscal year 2023 from the Federal Emergency Management Agency (FEMA) for reimbursement on repair costs under FEMA major disasters designated 4428-DR, 4595-DR, and 4663-DR with funding provided under Public Assistance Grants, Assistance Listing Number (ALN) 97.036. The fiscal court did not adequately oversee and monitor the grant reporting process to ensure compliance with federal grant requirements were met. The fiscal court approved and entered into a service contract on May 9, 2022, to hire a consultant to oversee FEMA work in the county which included the following services:

- Planning, engineering, and project management for road and bridge projects
- Project worksheet development
- General recovery support, grant management, close out
- Training support

All of this activity is processed in FEMA Grants Portal, a software system which manages public assistance grants electronically. Documentation for any project costs the consultant submits electronically were not provided or maintained by the fiscal court to support FEMA amounts reported on the county's schedule of expenditures of federal awards (SEFA) for fiscal year 2023. In addition, the following discrepancies were noted on the SEFA:

- Payments made to the consultant hired to assist the county with FEMA grants were listed by the FEMA consultant as FEMA disbursements but not listed on the county's SEFA as federal disbursements. The total paid to the consultant during fiscal year 2023 was \$54,474.
- FEMA disbursements listed were overstated due to them being listed for the actual check amounts instead of just the 75% federal share only portion of the grants.
- On the SEFA, FEMA 4595-DR included \$120,303 and 4663-DR included \$86,148 in disbursements but neither amount could be verified as FEMA grant disbursements.
- Federal monies of \$2,530 for a Tornado Safe Rooms Grant (4239-DR) were not included on the SEFA as federal disbursements.
- The SEFA did not include any force account labor or equipment hours which could have been included on reimbursement requests to FEMA.

Furthermore, on December 2, 2022, the fiscal court approved to hire and enter into a contract with a local contractor to repair flood damaged areas and roadways within Cumberland County pursuant to work orders supplied by the former Cumberland County Judge/Executive. The contractor was responsible for all work constructing and repairing flood damaged areas designated by FEMA. This contract also required the contractor to submit payment application and work orders prior to payment being made. According to the documentation reviewed, no payment applications or work orders were provided with the invoices and amounts per contract did not all agree to the amounts billed to the county. The total paid to this contractor during fiscal year 2023 was \$262,742; this amount was not included on the SEFA.

According to the county judge/executive, the previous administration contracted out the FEMA grant duties to reduce the administrative burden on the county. The fiscal court did not provide oversight or have internal controls in place to review or monitor the FEMA consultant's processes or reporting sent to FEMA/KYEM. According to the fiscal court, the consultant provided the FEMA amounts for the county to report on the SEFA.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-001 The Cumberland County Fiscal Court Did Not Maintain Documentation Of Federal Emergency Management Agency (FEMA) Grant Disbursements (Continued)

There was no review documented over any costs or reports the consultant submitted electronically since the fiscal court did not have copies of any documentation. The lack of oversight by the fiscal court and communication between the county and the consulting firm led to these variances in reporting.

Monitoring the controls over grant reporting is essential to ensure grant award objectives are attained, costs claimed are allowable, allocable, and reasonable with adequate supporting documentation, and the required administrative requirements are in place and operating effectively. Without proper monitoring funds could be misused and the fiscal court could be responsible for repayment of federal funds received. Furthermore, by not correctly reporting the amount of federal awards expended each fiscal year, the county could have circumvented the requirement to undergo a Single Audit in the past in accordance with OMB Uniform Administrative Requirements. Our auditors were unable to obtain sufficient audit evidence related to disbursements in Roads within the road fund on the financial statement due to the fiscal court's failure to maintain supporting documentation for grant disbursements and provide sufficient oversight and monitoring of grant activity. As a result, we have qualified our audit opinion on the financial statement to exclude this activity.

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 the county treasurer to prepare a schedule of expenditures of federal awards and submit this schedule with the fourth quarter financial report to the Department for Local Government.

2 CFR 200.303 (a) Internal Controls states, "[t]he non-Federal entity must 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. These internal controls should be in compliance with the guidance in "Standards for Internal Control in the Federal Government," issued by the Comptroller General of the United States (Green Book) or the "Internal Control Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)."

OMB Uniform Administrative Requirements, Cost Principles and Audit Requirements For Federal Awards 2 CFR 200.508(b) requires the auditee to "[p]repare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §200.510." 2 CFR 200.510(b) states, in part, "The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the Assistance Listings number or other identifying number when the Assistance Listings information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs ... identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe the significant accounting policies used in preparing the schedule..."

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-001 The Cumberland County Fiscal Court Did Not Maintain Documentation Of Federal Emergency Management Agency (FEMA) Grant Disbursements (Continued)

2 CFR 200.413(b) states, in part, “[t]ypical costs charged directly to a Federal award are the compensation of employees who work on that award, their related fringe benefits costs, the costs of materials and other items of expense incurred for the Federal award...”

2 CFR 200.430(a) states, in part, “[c]ompensation for personal services includes all remuneration, paid currently or accrued, for services of employees rendered during the period of performance under the Federal award, including but not necessarily limited to wages and salaries. Compensation for personal services may also include fringe benefits...”

Additionally, the FEMA Public Assistance Program and Policy Guide includes additional guidance and requirements for applicants. The purpose of a closeout request for an applicant is to certify that all work has been completed with the date of the project’s completion, copies of any recipient time extensions, and certification that grant terms and conditions have been met and project costs are reconciled. Applicants are responsible for providing documentation to demonstrate claimed costs are reasonable. If FEMA determines any of the costs to be unreasonable based on its evaluation, FEMA may disallow all or part of the cost by adjusting eligible funding to an amount it determines to be reasonable.

Establishing and maintaining effective internal control over grant reporting and compliance requirements applicable to federal programs is essential to provide reasonable assurance the county is managing federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements.

We recommend the fiscal court implement strong internal controls over grant reporting to ensure compliance with grant requirements is achieved and sufficiently documented. This finding will be referred to the Kentucky Emergency Management office for further consideration.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive’s Response: The previous administration entered into a two-year contract with a consulting firm nine days before the county-wide primary election in 2022. The new administration inherited the multi-year contract. Per the contract, the consulting firm would provide the following services: planning, engineering, and project management for road and bridge projects, project worksheet development, general recovery support, grant management, close out, and training support. The current administration connected the auditing team with the consulting firm over the course of the audit to provide said information. Of the \$1.8 million received in fiscal year 2023, the vast majority of the funds were received in the last six months of the previous administration and not the first six months of the current administration. Due to a concerning history of project cost overruns, the current administration paused many of the active projects until a deeper review could be conducted. Many of those projects still have not been approved for work to begin because of chronically low estimates or the administration’s concerns about repair methods. Based on the current administration’s growing concerns and the findings of the audit, the administration is resuming a more active role with respect to FEMA grants management and will be handling those services internally except where professional services are absolutely necessary. The management team has put steps in place to ensure proper oversight and accountability. The current administration was not in office at the time of the signing for the consulting firm contract. The previous administration executed that contract. The fiscal court has advertised to hire a Special Projects Manager who will be assisting with the compliance of future federal funds so the county doesn’t get in this situation again.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-002 The Cumberland County Fiscal Court Did Not Properly Budget And Record All Debt On The Fourth Quarter Financial Report

The Cumberland County Fiscal Court entered into a new short term general obligation lease agreement on December 20, 2022, for \$310,600 for the purpose of refinancing a FEMA project debt obligation. The new financing obligation proceeds were not budgeted or recorded to the fourth quarter report as other financing sources (uses) and debt service.

The fiscal court was not aware they needed to record the refinancing proceeds to the fourth quarter financial statement since the previous FEMA loan was already recorded.

Since the fiscal court did not budget or record all debt related transactions, the fourth quarter financial report was materially misstated by \$310,600 for receipts and disbursements.

KRS 68.280 states, “[t]he fiscal court may make provision for the expenditure of receipts unanticipated in the original budget by preparing an amendment to the budget, showing the source and amount of the unanticipated receipts and specifying the budget funds that are to be increased thereby.” KRS 68.240(1) states, “[t]he county judge/executive shall annually prepare a proposed budget for the expenditure of all funds, including those from state and federal sources, which are to be expended by the fiscal court in the next fiscal year.” KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* states, “[a]ll borrowed money received and repaid must be reflected in the county budget.” In addition, it states “[a]ny borrowed money that is not reflected in the original budget estimate must be amended into the budget and be properly reflected on the financial report as a receipt as well as an ‘expenditure’ for repayment of borrowed funds.”

We recommend the fiscal court ensure all debt is properly budgeted or prepare budget amendments if necessary and report the receipts and disbursements of the debt on the quarter financial reports.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive’s Response: The lease referred to in this finding was entered into on December 20, 2022. Even though the lease was executed under the previous administration, the current administration has acknowledged the auditor’s request to include any such leases on future reports. The County Judge has instructed the County Treasurer to adjust her standard operating procedures to limit the chance of the oversight happening again. The County Treasurer has complied.

2023-003 The Cumberland County Fiscal Court Did Not Follow Bidding Requirements Or Have Adequate Controls Over Bidding Procedures

The Cumberland County Fiscal Court did not have adequate internal controls over bidding procedures and did not follow bid requirements. The following issues were noted during bid testing:

- The fiscal court failed to advertise for concrete bids. Total spent during fiscal year 2023 was \$79,442.
- The fiscal court failed to advertise and bid for equipment and labor costs spent on FEMA road projects. Total spent with contractor during fiscal year 2023 was \$262,742.
- The fiscal court paid \$83,600 to a vendor for FEMA Geo Drillings and Reports; however, the price paid did not agree to the bid proposal and accepted amount of \$72,750.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-003 The Cumberland County Fiscal Court Did Not Follow Bidding Requirements Or Have Adequate Controls Over Bidding Procedures (Continued)

According to the finance officer, the fiscal court had never previously spent over \$30,000 on concrete so they did not bid. The current judge was unaware why each individual project was not bid out. A contract was signed by the prior administration on December 2, 2022, with a contractor for equipment and road labor costs for FEMA road projects. Proper controls were not in place to ensure the fiscal court followed bidding procedures of the county. By limiting competition or not receiving bids at all, the fiscal court may not get the benefits of the best price available. Competitive bidding ensures the fiscal court procures equipment and services at the best price available.

KRS 424.260 states, “[e]xcept where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract, lease, or other agreement for: (a) Materials; (b) Supplies, except perishable foods such as meat, poultry, fish, egg products, fresh vegetables, and fresh fruits; (c) Equipment; or (d) Contractual services other than professional; involving an expenditure of more than thirty thousand dollars (\$30,000) without first making newspaper advertisement for bids.” Note, a recent statutory change increased the threshold to \$40,000 effective June 29, 2023; however, the county should follow the most stringent bidding requirements, i.e., the county’s administrative code.

Section 8.2(c) of the Cumberland County Fiscal Court Administrative Code states, “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 Thirty Thousand Dollars (\$30,000) shall be subject to competitive bidding.” A strong internal control system would ensure prices paid agree to actual bid proposals to ensure accurate billing.

We recommend any purchases over \$30,000 or more are bid by the fiscal court in compliance with the county administrative code. In addition, we recommend any invoice for items bid be compared to the actual proposal to ensure accurate billing.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive’s Response: The auditors concluded that the county should have advertised for concrete in fiscal year 2023. The current administration recognizes that bidding for work is often the best course of action for the local taxpayers. The current administration acknowledges and accepts the auditor’s finding. In defense of the previous administration, we surmise that they didn’t advertise for concrete because it’s uncommon for Cumberland County to have spent \$79,442 on concrete like the county did in fiscal year 2023. Nearly \$52,000 of that was spent in the last six months of the previous administration and the remaining approximately \$27,000 was spent during the first six months of the new administration. On the second auditor’s comment, the current administration again agrees that bidding should have occurred, during the prior administration, before entering into a contract with any individual or company who would be completing over \$40,000 worth of taxpayer work. On the final auditor’s comment, the current administration received notice of an additional \$10,850 cost for geotechnical drilling. The current judge executive expressed disapproval and dissatisfaction with the additional cost being incurred. It was especially disappointing that the cost was incurred before the contractor or consulting firm requested a change or issued any type of change order. Additionally, it is well known that the current judge takes a strict view of the bidding process and believes a bid stands at the original amount unless a change order is submitted and or the court is provided with sufficient reasoning for an increase and then approves said increase. The court was provided with additional documentation to support the added costs from the geotechnical drilling company, but the current administration’s distaste for the way the situation arose is to be noted so the situation can be prevented in the future.

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

CUMBERLAND COUNTY FISCAL COURT

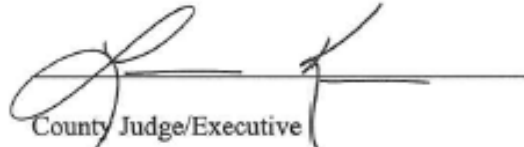
For The Year Ended June 30, 2023

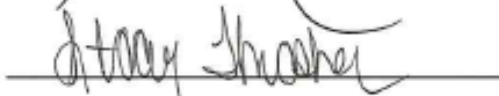
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CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
CUMBERLAND COUNTY FISCAL COURT

For The Year Ended June 30, 2023

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


County Judge/Executive


County Treasurer