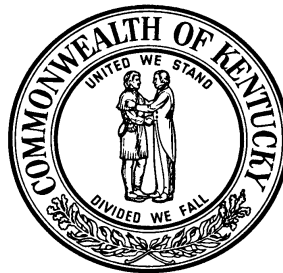


**REPORT OF THE AUDIT OF THE  
ESTILL COUNTY  
FISCAL COURT**

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



**MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS  
[auditor.ky.gov](http://auditor.ky.gov)**

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





**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

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

The enclosed report prepared by Teddy Michael Prater, CPA, PLLC presents the financial statement of Estill County, Kentucky, for the year ended June 30, 2022.

We engaged Teddy Michael Prater, CPA, PLLC to perform the audit of this financial statement. We worked closely with the firm during our report review process; Teddy Michael Prater, CPA, PLLC evaluated the Estill County Fiscal Court's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

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

Mike Harmon  
Auditor of Public Accounts

Enclosure

THIS PAGE LEFT BLANK INTENTIONALLY

## CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT .....	1
ESTILL COUNTY OFFICIALS.....	5
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - REGULATORY BASIS.....	8
NOTES TO FINANCIAL STATEMENT.....	12
BUDGETARY COMPARISON SCHEDULES.....	25
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES.....	36
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	39
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS .....	40
SCHEDULE OF CAPITAL ASSETS.....	43
NOTES TO OTHER INFORMATION - REGULATORY BASIS SCHEDULE OF CAPITAL ASSETS.....	44
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> .....	47
REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE .....	51
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	57
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	

THIS PAGE LEFT BLANK INTENTIONALLY

**TEDDY MICHAEL PRATER CPA, PLLC**  
**724 Gifford Road**  
**Salyersville, KY 41465**  
**Telephone (606) 349-8042**

Independent Auditor's Report

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

**Report on the Audit of the Financial Statement**

***Opinions***

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances – Regulatory Basis of the Estill County Fiscal Court, for the year ended June 30, 2022, and the related notes to the financial statement, which collectively comprise the Estill County Fiscal Court's financial statement as listed in the table of contents.

*Unmodified Opinion on Regulatory Basis of Accounting*

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and changes in fund balances – regulatory basis of the Estill County Fiscal Court, for the year ended June 30, 2022, in accordance with accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

*Adverse Opinion on U.S. Generally Accepted Accounting Principles*

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Estill County Fiscal Court, for the year ended June 30, 2022, or the changes in financial position and cash flows thereof for the year then ended.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Fiscal Court Audit Guide* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of Estill County Fiscal Court and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

As described in Note 1 of the financial statement, the financial statement is prepared by the Estill County Fiscal Court on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

### ***Responsibilities of Management for the Financial Statement***

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

### ***Auditor's Responsibilities for the Audit of the Financial Statement***

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

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

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



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

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

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

### **Other Matters**

#### ***Supplementary Information***

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

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

#### ***Other Information***

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

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2023, on our consideration of the Estill 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 Estill County Fiscal Court's internal control over financial reporting and compliance.

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

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

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

2022-001    The Estill County Fiscal Court Posted Draws On CSEPP Line Of Credit To The Incorrect Line Item On The Quarterly Report

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Teddy M. Prater". The signature is fluid and cursive, with the first name "Teddy" being more prominent.

Teddy Michael Prater CPA, PLLC

June 9, 2023

**ESTILL COUNTY OFFICIALS**  
**For The Year Ended June 30, 2022**

**Fiscal Court Members:**

Donnie Watson	County Judge/Executive
Mike Abney	Magistrate
Paul Tipton	Magistrate
Gerry Flannery	Magistrate

**Other Elected Officials:**

Jason Riley	County Attorney
Beverly "Bo" Morris	Jailer
Brian Crowe	County Clerk
Stephanie Brinegar-Cassidy	Circuit Court Clerk
Chris Flynn	Sheriff
Jeff Hix	Property Valuation Administrator
Jimmie Wise	Coroner

**Appointed Personnel:**

Freida Lancaster	County Treasurer
Amber Flynn	Finance Officer
Teresa McKinley	Occupational Tax Administrator

THIS PAGE LEFT BLANK INTENTIONALLY

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

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

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

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

	<b>Budgeted Funds</b>			
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Local Government Economic Assistance Fund</b>
<b>RECEIPTS</b>				
Taxes	\$ 3,024,535	\$	\$	\$
In Lieu Tax Payments	12,378	9,675		
Excess Fees	560			
Licenses and Permits	17,755			
Intergovernmental	378,153	1,327,788	104,269	10,704
Charges for Services	267,519	15,024		
Miscellaneous	552,801	4,545	8	
Interest			115	26
Total Receipts	<u>4,253,701</u>	<u>1,357,032</u>	<u>104,392</u>	<u>10,730</u>
<b>DISBURSEMENTS</b>				
General Government	1,574,575			
Protection to Persons and Property	571,581		998,529	11,200
General Health and Sanitation	128,393			
Social Services	103,418			
Recreation and Culture	150,973			
Roads	224,254	1,095,639		
Debt Service	429,377	20,337		
Capital Projects	144,671	119,545		
Administration	850,331	288,966	91,206	
Total Disbursements	<u>4,177,573</u>	<u>1,524,487</u>	<u>1,089,735</u>	<u>11,200</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>76,128</u>	<u>(167,455)</u>	<u>(985,343)</u>	<u>(470)</u>
<b>Other Adjustments to Cash (Uses)</b>				
Financing Obligation Proceeds			1,011,601	
Transfers From Other Funds	481,460			
Transfers To Other Funds	(1,122,879)			
Total Other Adjustments to Cash (Uses)	<u>(641,419)</u>		<u>1,011,601</u>	
Net Change in Fund Balance	(565,291)	(167,455)	26,258	(470)
Fund Balance - Beginning	<u>1,343,777</u>	<u>245,439</u>	<u>12,885</u>	<u>23,784</u>
Fund Balance - Ending	<u>\$ 778,486</u>	<u>\$ 77,984</u>	<u>\$ 39,143</u>	<u>\$ 23,314</u>
<b>Composition of Fund Balance</b>				
Bank Balance	\$ 842,893	\$ 79,602	\$ 44,636	\$ 23,314
Less: Outstanding Checks	(64,407)	(1,618)	(5,493)	
Fund Balance - Ending	<u>\$ 778,486</u>	<u>\$ 77,984</u>	<u>\$ 39,143</u>	<u>\$ 23,314</u>

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

**ESTILL COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**  
**For The Year Ended June 30, 2022**  
**(Continued)**

Budgeted Funds					
State Grants Fund	Federal Grants Fund	Emergency Service Communications Fund	Chemical Stockpile Emergency Preparedness Program Fund	CMRS 911 Fund	Emergency Management Fund
\$	\$	\$	\$	\$	\$
167,086		6,660	2,469,650	197,833	
			28		
167,086		6,660	2,469,678	197,833	
10,000		11,670	1,963,575		
17,466					
			1,661,620		
			187,251		
27,466		11,670	3,812,446		
139,620		(5,010)	(1,342,768)	197,833	
			1,145,905		
			111,278	82,155	
(82,155)				(481,460)	
(82,155)			1,257,183	(399,305)	
57,465		(5,010)	(85,585)	(201,472)	
96,871		117,519	87,987	218,979	1,289
\$ 154,336	\$	\$ 112,509	\$ 2,402	\$ 17,507	\$ 1,289
\$ 155,534	\$	\$ 112,509	\$ 39,402	\$ 17,507	\$ 1,289
(1,198)			(37,000)		
\$ 154,336	\$ 0	\$ 112,509	\$ 2,402	\$ 17,507	\$ 1,289

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

**ESTILL COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**  
**For The Year Ended June 30, 2022**  
**(Continued)**

	<b>Budgeted Funds</b>	
	<b>American Rescue Plan Act Fund</b>	<b>Total Funds</b>
<b>RECEIPTS</b>		
Taxes	\$	\$ 3,024,535
In Lieu Tax Payments		22,053
Excess Fees		560
Licenses and Permits		17,755
Intergovernmental	1,369,963	5,827,613
Charges for Services		487,036
Miscellaneous		557,382
Interest	1,897	2,038
Total Receipts	<u>1,371,860</u>	<u>9,938,972</u>
<b>DISBURSEMENTS</b>		
General Government		1,574,575
Protection to Persons and Property		3,566,555
General Health and Sanitation		145,859
Social Services		103,418
Recreation and Culture		150,973
Roads		1,319,893
Debt Service		2,111,334
Capital Projects		264,216
Administration	2,736	1,420,490
Total Disbursements	<u>2,736</u>	<u>10,657,313</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,369,124</u>	<u>(718,341)</u>
<b>Other Adjustments to Cash (Uses)</b>		
Financing Obligation Proceeds		1,145,905
Transfers From Other Funds		1,686,494
Transfers To Other Funds		(1,686,494)
Total Other Adjustments to Cash (Uses)		<u>1,145,905</u>
Net Change in Fund Balance	1,369,124	427,564
Fund Balance - Beginning		<u>2,148,530</u>
Fund Balance - Ending	<u>\$ 1,369,124</u>	<u>\$ 2,576,094</u>
<b>Composition of Fund Balance</b>		
Bank Balance	\$ 1,369,124	\$ 2,685,810
Less: Outstanding Checks		(109,716)
Fund Balance - Ending	<u>\$ 1,369,124</u>	<u>\$ 2,576,094</u>

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



**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENT**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES .....	12
NOTE 2.	DEPOSITS AND INVESTMENTS .....	15
NOTE 3.	TRANSFERS.....	15
NOTE 4.	LEASES .....	15
NOTE 5.	SHORT-TERM DEBT .....	17
NOTE 6.	LONG-TERM DEBT .....	17
NOTE 7.	EMPLOYEE RETIREMENT SYSTEM .....	19
NOTE 8.	DEFERRED COMPENSATION.....	21
NOTE 9.	HEALTH REIMBURSEMENT ACCOUNT .....	22
NOTE 10.	INSURANCE.....	22
NOTE 11.	CONDUIT DEBT.....	22

**ESTILL COUNTY  
NOTES TO FINANCIAL STATEMENT**

**June 30, 2022**

**Note 1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

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

**B. Basis of Accounting**

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

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

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

**C. Basis of Presentation**

**Budgeted Funds**

The fiscal court reports the following budgeted funds:

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

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

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

**ESTILL COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2022**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Basis of Presentation (Continued)**

**Budgeted Funds (Continued)**

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

State Grants Fund - The primary purpose of this fund is to account for state grants. The primary source of revenue for this fund is state grants.

Federal Grants Fund - The primary purpose of this fund is to account for federal grants. The primary source of revenue for this fund is federal grants.

Emergency Service Communications Fund - The primary purpose of this fund is to account for surcharges received from the emergency management communication tower. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

Chemical Stockpile Emergency Preparedness Program (CSEPP) Fund - The primary purpose of this fund is to account for federal CSEPP grant monies, which is the only source of revenue for this fund. Estill County is part of a ten-county region in Kentucky that receives federal grant monies to improve their capacity to plan for and respond to accidents associated with the Bluegrass Army Depot's chemical warfare materials located in neighboring Madison County. The U.S. Congress appropriates funding for reimbursement of CSEPP disbursements. CSEPP funds may not be commingled with other funds, therefore the Department for Local Government and the federal government require the fiscal court to maintain these receipts and disbursements separately from the general fund.

CMRS 911 Fund - The primary purpose of this fund is to account for the surcharge taxes for Commercial Mobile Radio Systems (CMRS). The state distributes CMRS monies to counties to supplement 911 operations. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

Emergency Management Fund - The primary purpose of this fund is to account for emergency management grant money, which is the only source of revenue for this fund.

American Rescue Plan Act Fund - The primary purpose of this fund is to account for federal grants under the American Rescue Plan Act. The primary source of receipts for this fund are grants from the federal government.

**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.

**ESTILL COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2022**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Budgetary Information (Continued)**

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.

**E. Estill County Elected Officials**

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

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

**F. Deposits and Investments**

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

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

**G. Long-term Obligations**

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

**ESTILL COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2022**  
**(Continued)**

**Note 2. Deposits and Investments**

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, 2022, 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 2022.

	General Fund	State Grants Fund	CMRS 911 Fund	Total Transfers In
General Fund	\$	\$	\$ 481,460	\$ 481,460
Jail Fund	1,011,601			1,011,601
Chemical Stockpile Emergency Preparedness Program Fund	111,278			111,278
CMRS 911 Fund		82,155		82,155
Total Transfers Out	<u>\$ 1,122,879</u>	<u>\$ 82,155</u>	<u>\$ 481,460</u>	<u>\$ 1,686,494</u>

Reason for transfers:

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

**Note 4. Leases**

**A. Lessor**

**1. Jackson Energy Cooperative – Tower Space, Building Space, and Backup Generator Power**

On December 20, 2010, the Estill County Fiscal Court began leasing tower space, building space, and backup generator power situated in Estill County, KY, off Happy Top Road to the Jackson Energy Cooperative. The lease is for five years with an option to extend. The Estill County Fiscal Court will receive an annual payment of \$6,000. Estill County Fiscal Court did not recognize any lease revenue during the current fiscal year.

**ESTILL COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2022**  
**(Continued)**

**Note 4. Leases (Continued)**

**A. Lessor (Continued)**

**2. East Kentucky Network – Tower Space**

On March 16, 2015, the Estill County Fiscal Court began leasing tower space to the East Kentucky Network. The lease requires monthly payments to the Estill County Fiscal Court in the amount of \$430. The lease is for five years renewable every five years thereafter. The Estill County Fiscal Court recognized \$5,160 in lease revenue during the current fiscal year. As of June 30, 2022, the Estill County Fiscal Court's receivable for this lease was \$13,759.

**3. Kentucky Utilities – Tower Space**

On May 28, 2020, the Estill County Fiscal Court began leasing tower space to Kentucky Utilities. The lease requires an annual payment of \$1,500 be made to the Estill County Fiscal Court. The lease is for five years renewable every five years thereafter. The Estill County Fiscal Court recognized \$1,500 in lease revenue during the current fiscal year. As of June 30, 2022, the Estill County Fiscal Court's receivable for this lease was \$3,000.

**B. Lessee**

**1. Tractor**

On September 1, 2018, the Estill County Fiscal Court entered into an operating lease in the amount of \$28,742 for a road department tractor. The lease term was 36 months with a monthly payment of \$798. As of June 30, 2022, this lease agreement was paid off.

**2. Tractor**

On October 1, 2018, the Estill County Fiscal Court entered into an operating lease in the amount of \$43,023 for a road department tractor. The lease term was 48 months with a monthly payment of \$896. As of June 30, 2022, this lease agreement was paid off.

**3. Commonwealth Technology - Copiers**

On July 18, 2018, the Estill County Fiscal Court began leasing copiers from Commonwealth Technology, Inc. for the use in the courthouse. The lease is for five years and the Estill County Fiscal Court will pay monthly payments of \$769. The Estill County Fiscal Court recognized lease expenditures of \$9,231 during the current fiscal year. As of June 30, 2022, the Estill County Fiscal Court's payable balance on this lease was \$9,231.

**4. County Park - Land**

On October 12, 2021, the Estill County Fiscal Court began leasing land for a county park. The lease was for five years and the Estill County Fiscal Court will pay \$2,000 per year for the first two years, then \$1,000 per year for the next three years totaling \$7,000 over the life of the lease. The lease may also be paid in one lump sum of \$7,000. Payments are due on or before the first of October each year. The Estill County Fiscal Court recognized lease expenditures of \$7,000 during the current fiscal year. As of June 30, 2022, the Estill County Fiscal Court's payable balance on this lease was \$0.

**ESTILL COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2022**  
**(Continued)**

**Note 5. Short-term Debt**

**A. Line of Credit**

On June 7, 2021, the Estill County Fiscal Court entered into a line of credit agreement not to exceed \$1,000,000. The purpose of this line of credit is to provide funding for Chemical Stockpile Emergency Preparedness Program (CSEPP) funded projects and subsequently seek financial reimbursement from the Kentucky Division of Emergency Management (KyEM). The financial reimbursements received by the Estill County Fiscal Court from KyEM through CSEPP are used to pay off the line of credit. The operating line of credit by Citizens Guaranty Bank is for one year and the interest rate for this period was 3.84 percent. In addition to the interest rate, there was a minimal origination fee. The line of credit was renewable on an annual basis. As of June 30, 2022, this line of credit was paid off and closed with no outstanding principal.

**B. Changes In Short-term Debt**

Short-term Debt activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Line of Credit - CSEPP	\$ 452,928	\$ 1,145,905	\$ 1,598,833	\$	\$
Total Short-term Debt	<u>\$ 452,928</u>	<u>\$ 1,145,905</u>	<u>\$ 1,598,833</u>	<u>\$ 0</u>	<u>\$ 0</u>

**Note 6. Long-term Debt**

**A. Direct Borrowings and Direct Placements**

**1. Commercial Building and Lot**

On August 29, 2019, the Estill County Fiscal Court entered into a \$245,850 business loan agreement with Citizens Guaranty Bank. The purpose of this loan was to purchase a commercial building and lot and required monthly principal and interest payments, with the final payment due on August 29, 2039. In case of default, all commitments and obligations would have been immediately terminated, and all indebtedness immediately would have been due and payable, all without notice of any kind to the borrower, except that in the case of an event of default due to insolvency. Additionally, the lender would have had all rights and remedies provided or available at law, in equity, or otherwise. Except as may be prohibited by applicable law, all the lender's rights and remedies shall be cumulative and could have been exercised singularly or concurrently. Election by lender to pursue any remedy would not have excluded pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of borrower or of any grantor would not have affected the lender's right to declare a default and to exercise its rights and remedies. As of June 30, 2022, this loan was paid off.

**ESTILL COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2022**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

**A. Direct Borrowings and Direct Placements (Continued)**

**2. Road Projects**

On July 5, 2018, the Estill County Fiscal Court entered into a \$1,410,000 lease agreement with the Kentucky Association of Counties. The purpose of this lease was to retire a portion of the county's outstanding debt and requires monthly principal and interest payments, with the final payment due on February 1, 2028. The obligation of the lessee created by the lease shall be a full general obligation of the lessee and, for the prompt payment of the lease rental payments, the full faith, credit and revenue of the lessee are pledged. In case of default, the lessor may, without any further demand or notice, take one or any combination of the following remedial steps: enforce the pledge set forth so that during the remaining lease term there is levied on all the taxable property in the lessee, in addition to all other taxes, without limitation as to the rate or amount, a direct tax annually in an amount sufficient to pay the lease rental payments when and as due; take legal title to, and sell or re-lease the project or any portion thereof; or take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the project under this lease and/or take whatever action at law or in equity may appear necessary or desirable to enforce performance by the lessee of the applicable covenants and agreements under this lease and to recover damages for the breach thereof. As of June 30, 2022, the principal outstanding was \$907,500. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Interest & Fees
2023	\$ 147,500	\$ 44,067
2024	155,000	36,928
2025	162,500	28,790
2026	170,000	20,259
2027	180,000	11,363
2028	92,500	3,370
Totals	<u>\$ 907,500</u>	<u>\$ 144,777</u>

**B. Changes In Long-term Debt**

Long-term Debt activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 1,278,470	\$	\$ 370,970	\$ 907,500	\$ 147,500
Total Long-term Debt	<u>\$ 1,278,470</u>	<u>\$ 0</u>	<u>\$ 370,970</u>	<u>\$ 907,500</u>	<u>\$ 147,500</u>



**ESTILL COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2022**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

**C. Aggregate Debt Schedule**

The amount of required principal and interest payments on long-term obligations at June 30, 2022, were as follows:

Fiscal Year Ending June 30	Direct Borrowings and Direct Placements	
	Principal	Interest & Fees
2023	\$ 147,500	\$ 44,067
2024	155,000	36,928
2025	162,500	28,790
2026	170,000	20,259
2027	180,000	11,363
2028	92,500	3,370
Totals	<u>\$ 907,500</u>	<u>\$ 144,777</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 2020 was \$449,244, FY 2021 was \$418,592, and FY 2022 was \$523,659.

Nonhazardous

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

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

**ESTILL COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2022**  
**(Continued)**

**Note 7. Employee Retirement System (Continued)**

Nonhazardous (Continued)

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

The county's contribution rate for nonhazardous employees was 26.95 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:

<b>Years of Service</b>	<b>% Paid by Insurance Fund</b>	<b>% Paid by Member through Payroll Deduction</b>
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.

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.

**ESTILL COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2022**  
**(Continued)**

**Note 7. Employee Retirement System (Continued)**

Other Post-Employment Benefits (OPEB) (Continued)

**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.

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.

**Note 8. Deferred Compensation**

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

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

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

**ESTILL COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2022**  
**(Continued)**

**Note 9. Health Reimbursement Account**

The Estill County Fiscal Court has an HRA account for employees to participate in for their health care needs. The plan is administered through the county's insurance company. The plan provides \$500 for each employee to offset their medical expenses.

**Note 10. Insurance**

For the fiscal year ended June 30, 2022, the Estill 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 11. Conduit Debt**

From time to time, the county has issued bonds to provide financial assistance to Berea College for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest, in accordance with KRS 103.210. This debt may take the form of certain types of limited-obligation revenue bonds, certificates of participation, or similar debt instruments. Although conduit debt obligations bear Estill County Fiscal Court's name as issuer, the fiscal court has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf it is issued. Neither the fiscal court nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statement. As of June 30, 2022, conduit debt has been issued but the amount currently outstanding is not reasonably determinable.

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

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

THIS PAGE LEFT BLANK INTENTIONALLY

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

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

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Taxes	\$ 3,026,175	\$ 3,026,175	\$ 3,024,535	\$ (1,640)
In Lieu Tax Payments	9,399	9,399	12,378	2,979
Excess Fees	62,000	62,000	560	(61,440)
Licenses and Permits	13,350	13,350	17,755	4,405
Intergovernmental	189,380	547,727	378,153	(169,574)
Charges for Services	255,900	255,900	267,519	11,619
Miscellaneous	574,748	750,593	552,801	(197,792)
Interest	100	100		(100)
Total Receipts	4,131,052	4,665,244	4,253,701	(411,543)
<b>DISBURSEMENTS</b>				
General Government	1,039,130	1,662,658	1,574,575	88,083
Protection to Persons and Property	602,338	645,982	571,581	74,401
General Health and Sanitation	96,000	146,018	128,393	17,625
Social Services	116,215	115,265	103,418	11,847
Recreation and Culture	182,350	182,240	150,973	31,267
Roads		224,254	224,254	
Debt Service	207,011	432,495	429,377	3,118
Capital Projects	80,000	158,719	144,671	14,048
Administration	1,702,409	992,014	850,331	141,683
Total Disbursements	4,025,453	4,559,645	4,177,573	382,072
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	105,599	105,599	76,128	(29,471)
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	409,159	409,159	481,460	72,301
Transfers To Other Funds	(1,214,758)	(1,214,758)	(1,122,879)	91,879
Total Other Adjustments to Cash (Uses)	(805,599)	(805,599)	(641,419)	164,180
Net Change in Fund Balance	(700,000)	(700,000)	(565,291)	134,709
Fund Balance - Beginning	700,000	700,000	1,343,777	643,777
Fund Balance - Ending	\$ 0	\$ 0	\$ 778,486	\$ 778,486

**ESTILL COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2022**  
**(Continued)**

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
In Lieu Tax Payments	\$ 10,124	\$ 10,124	\$ 9,675	\$ (449)
Intergovernmental	1,874,345	1,906,377	1,327,788	(578,589)
Charges for Services	223,367	223,367	15,024	(208,343)
Miscellaneous	1,000	1,000	4,545	3,545
Interest	100	100		(100)
Total Receipts	2,108,936	2,140,968	1,357,032	(783,936)
<b>DISBURSEMENTS</b>				
Roads	1,411,200	1,412,849	1,095,639	317,210
Debt Service	22,000	22,000	20,337	1,663
Capital Projects	80,000	158,391	119,545	38,846
Administration	369,307	321,299	288,966	32,333
Total Disbursements	1,882,507	1,914,539	1,524,487	390,052
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	226,429	226,429	(167,455)	(393,884)
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds	(226,429)	(226,429)		226,429
Total Other Adjustments to Cash (Uses)	(226,429)	(226,429)		226,429
Net Change in Fund Balance			(167,455)	(167,455)
Fund Balance - Beginning			245,439	245,439
Fund Balance - Ending	\$ 0	\$ 0	\$ 77,984	\$ 77,984



**ESTILL COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2022**  
**(Continued)**

<b>JAIL FUND</b>				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental	\$ 117,100	\$ 117,100	\$ 104,269	\$ (12,831)
Miscellaneous	1,000	1,000	8	(992)
Interest	100	100	115	15
Total Receipts	<u>118,200</u>	<u>118,200</u>	<u>104,392</u>	<u>(13,808)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	1,214,563	1,216,533	998,529	218,004
Administration	118,395	116,425	91,206	25,219
Total Disbursements	<u>1,332,958</u>	<u>1,332,958</u>	<u>1,089,735</u>	<u>243,223</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,214,758)</u>	<u>(1,214,758)</u>	<u>(985,343)</u>	<u>229,415</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	<u>1,214,758</u>	<u>1,214,758</u>	<u>1,011,601</u>	<u>(203,157)</u>
Total Other Adjustments to Cash (Uses)	<u>1,214,758</u>	<u>1,214,758</u>	<u>1,011,601</u>	<u>(203,157)</u>
Net Change in Fund Balance			26,258	26,258
Fund Balance - Beginning			<u>12,885</u>	<u>12,885</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 39,143</u>	<u>\$ 39,143</u>

**ESTILL COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2022**  
**(Continued)**

<b>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 14,277	\$ 14,277	\$ 10,704	\$ (3,573)
Miscellaneous	1,000	1,000		(1,000)
Interest	50	50	26	(24)
Total Receipts	15,327	15,327	10,730	(4,597)
<b>DISBURSEMENTS</b>				
General Government	11,000	11,000		11,000
Protection to Persons and Property	15,234	19,800	11,200	8,600
Social Services	500	500		500
Administration	12,343	7,777		7,777
Total Disbursements	39,077	39,077	11,200	27,877
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(23,750)	(23,750)	(470)	23,280
Net Change in Fund Balance	(23,750)	(23,750)	(470)	23,280
Fund Balance - Beginning	23,750	23,750	23,784	34
Fund Balance - Ending	\$ 0	\$ 0	\$ 23,314	\$ 23,314

**ESTILL COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2022**  
**(Continued)**

	STATE GRANTS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 96,000	\$ 178,155	\$ 167,086	\$ (11,069)
Charges for Services	2,500	2,500		(2,500)
Total Receipts	98,500	180,655	167,086	(13,569)
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	11,000	11,000	10,000	1,000
General Health and Sanitation	57,500	57,500	17,466	40,034
Recreation and Culture	30,000	30,000		30,000
Administration	100,000	100,000		100,000
Total Disbursements	198,500	198,500	27,466	171,034
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(100,000)	(17,845)	139,620	157,465
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds			(82,155)	(82,155)
Total Other Adjustments to Cash (Uses)			(82,155)	(82,155)
Net Change in Fund Balance	(100,000)	(17,845)	57,465	75,310
Fund Balance - Beginning	100,000	100,000	96,871	(3,129)
Fund Balance - Ending	\$ 0	\$ 82,155	\$ 154,336	\$ 72,181

**ESTILL COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2022**  
**(Continued)**

	<b>FEDERAL GRANTS FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental	\$ 700,000	\$ 700,000	\$	\$ (700,000)
Total Receipts	700,000	700,000		(700,000)
<b>DISBURSEMENTS</b>				
Social Services	200,000	200,000		200,000
Recreation and Culture	500,000	500,000		500,000
Total Disbursements	700,000	700,000		700,000
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)				
Net Change in Fund Balance				
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 0	\$ 0

**ESTILL COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2022**  
**(Continued)**

<b>EMERGENCY SERVICE COMMUNICATIONS FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Charges for Services	\$ 12,660	\$ 12,660	\$ 6,660	\$ (6,000)
Total Receipts	12,660	12,660	6,660	(6,000)
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	23,245	33,745	11,670	22,075
Administration	105,645	95,145		95,145
Total Disbursements	128,890	128,890	11,670	117,220
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(116,230)	(116,230)	(5,010)	111,220
Net Change in Fund Balance	(116,230)	(116,230)	(5,010)	111,220
Fund Balance - Beginning	116,230	116,230	117,519	1,289
Fund Balance - Ending	\$ 0	\$ 0	\$ 112,509	\$ 112,509

**ESTILL COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2022**  
**(Continued)**

**CHEMICAL STOCKPILE EMERGENCY  
PREPAREDNESS PROGRAM FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 5,171,629	\$ 6,486,080	\$ 2,469,650	\$ (4,016,430)
Miscellaneous	2,000,000	2,000,000	28	(1,999,972)
Total Receipts	7,171,629	8,486,080	2,469,678	(6,016,402)
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	4,930,606	6,241,202	1,963,575	4,277,627
Debt Service	2,000,000	2,000,000	1,661,620	338,380
Administration	241,023	244,878	187,251	57,627
Total Disbursements	7,171,629	8,486,080	3,812,446	4,673,634
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			(1,342,768)	(1,342,768)
<b>Other Adjustments to Cash (Uses)</b>				
Financing Obligation Proceeds			1,145,905	1,145,905
Transfers From Other Funds			111,278	111,278
Total Other Adjustments to Cash (Uses)			1,257,183	1,257,183
Net Change in Fund Balance			(85,585)	(85,585)
Fund Balance - Beginning			87,987	87,987
Fund Balance - Ending	\$ 0	\$ 0	\$ 2,402	\$ 2,402

**ESTILL COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2022**  
**(Continued)**

<b>CMRS 911 FUND</b>			
	Budgeted Amounts		Variance with
	Original	Final	Actual Amounts, (Budgetary Basis) Final Budget Positive (Negative)
<b>RECEIPTS</b>			
Charges for Services	\$ 159,000	\$ 159,000	\$ 197,833
Total Receipts	159,000	159,000	197,833
<b>DISBURSEMENTS</b>			
Protection to Persons and Property		82,155	82,155
Total Disbursements		82,155	82,155
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	159,000	76,845	197,833
<b>Other Adjustments to Cash (Uses)</b>			
Transfers From Other Funds			82,155
Transfers To Other Funds	(159,000)	(159,000)	(481,460)
Total Other Adjustments to Cash (Uses)	(159,000)	(159,000)	(399,305)
Net Change in Fund Balance		(82,155)	(201,472)
Fund Balance - Beginning			218,979
Fund Balance - Ending	\$ 0	\$ (82,155)	\$ 17,507

**ESTILL COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2022**  
**(Continued)**

<b>EMERGENCY MANAGEMENT FUND</b>			
	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original	Final	
<b>RECEIPTS</b>			
Intergovernmental	\$ 15,000	\$ 15,000	\$ (15,000)
Total Receipts	15,000	15,000	(15,000)
<b>DISBURSEMENTS</b>			
Total Disbursements			
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	15,000	15,000	(15,000)
<b>Other Adjustments to Cash (Uses)</b>			
Transfers To Other Funds	(16,289)	(16,289)	16,289
Total Other Adjustments to Cash (Uses)	(16,289)	(16,289)	16,289
Net Change in Fund Balance	(1,289)	(1,289)	1,289
Fund Balance - Beginning	1,289	1,289	1,289
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,289



**ESTILL COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2022**  
**(Continued)**

<b>AMERICAN RESCUE PLAN ACT FUND</b>				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,367,886	\$ 1,367,886	\$ 1,369,963	\$ 2,077
Interest			1,897	1,897
Total Receipts	<u>1,367,886</u>	<u>1,367,886</u>	<u>1,371,860</u>	<u>3,974</u>
<b>DISBURSEMENTS</b>				
Recreation and Culture		232,773		232,773
Administration	<u>2,735,772</u>	<u>2,502,999</u>	<u>2,736</u>	<u>2,500,263</u>
Total Disbursements	<u>2,735,772</u>	<u>2,735,772</u>	<u>2,736</u>	<u>2,733,036</u>
Excess (Deficiency) of Receipts Over				
Disbursements Before Other				
Adjustments to Cash (Uses)	<u>(1,367,886)</u>	<u>(1,367,886)</u>	<u>1,369,124</u>	<u>2,737,010</u>
Net Change in Fund Balance	<u>(1,367,886)</u>	<u>(1,367,886)</u>	<u>1,369,124</u>	<u>2,737,010</u>
Fund Balance - Beginning	<u>1,367,886</u>	<u>1,367,886</u>		<u>(1,367,886)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,369,124</u>	<u>\$ 1,369,124</u>

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

**June 30, 2022**

**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.

**ESTILL COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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

THIS PAGE LEFT BLANK INTENTIONALLY

**ESTILL COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity's Identifying Number	Provided to Subrecipient	Total Federal Expenditures
<b><u>U. S. Department of Treasury</u></b>				
<i><b>Direct Program:</b></i>				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	\$	\$ 2,736
<b>Total U.S. Department of Treasury</b>				2,736
<b><u>U. S. Department of Homeland Security</u></b>				
<i><b>Passed-Through Kentucky Department of Military Affairs</b></i>				
Chemical Stockpile Emergency Preparedness Program	97.040	unknown	\$	\$ 2,150,826
<b>Total U.S. Department of Homeland Security</b>				2,150,826
Total Expenditures of Federal Awards			\$ 0	\$ 2,153,562

The accompanying notes are an integral part of this schedule.

**ESTILL COUNTY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**June 30, 2022**

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Estill County, Kentucky under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Estill County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Estill County, Kentucky.

**Note 2. Summary of Significant Accounting Policies**

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

**Note 3. Indirect Cost Rate**

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

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

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

THIS PAGE LEFT BLANK INTENTIONALLY



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

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

Estill County Fiscal Court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 593,227	\$	\$	\$ 593,227
Construction In Progress	587,614			587,614
Land Improvements	76,071	60,512		136,583
Buildings	5,718,813	1,950,109		7,668,922
Equipment	3,307,628	370,825	954,900	2,723,553
Vehicles	1,906,949			1,906,949
Infrastructure	7,510,726	668,321		8,179,047
Total Capital Assets	<u>\$ 19,701,028</u>	<u>\$ 3,049,767</u>	<u>\$ 954,900</u>	<u>\$ 21,795,895</u>

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

**June 30, 2022**

**Note 1. Capital Assets**

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

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

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

THIS PAGE LEFT BLANK INTENTIONALLY

**TEDDY MICHAEL PRATER CPA, PLLC**  
**724 Gifford Road**  
**Salyersville, KY 41465**  
**Telephone (606) 349-8042**

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 Donnie Watson, Estill County Judge/Executive  
Members of the Estill 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 Estill County Fiscal Court for the fiscal year ended June 30, 2022, and the related notes to the financial statement which collectively comprise the Estill County Fiscal Court's financial statement and have issued our report thereon dated June 9, 2023.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not been identified.

**Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the Estill 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2022-001.

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)

**Views of Responsible Officials and Planned Corrective Action**

Estill County's views and planned corrective action for the finding identified in our audit is included in the accompanying Schedule of Findings and Questioned Costs. 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,

A handwritten signature in black ink, appearing to read "Teddy M. Prater". The signature is fluid and cursive, with the first name "Teddy" being more prominent.

Teddy Michael Prater CPA, PLLC

June 9, 2023

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

THIS PAGE LEFT BLANK INTENTIONALLY



**TEDDY MICHAEL PRATER CPA, PLLC**  
**724 Gifford Road**  
**Salyersville, KY 41465**  
**Telephone (606) 349-8042**

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

Independent Auditor's Report

The Honorable Donnie Watson, Estill County Judge/Executive  
Members of the Estill County Fiscal Court

**Report on Compliance for Each Major Federal Program**

*Opinion on Each Major Federal Program*

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

In our opinion, Estill County Fiscal Court complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

*Basis for Opinion on Each Major Federal Program*

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

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

**Responsibilities of Management for Compliance**

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

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

### **Auditor's Responsibilities for the Audit of Compliance**

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

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

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

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

### **Report on Internal Control over Compliance**

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

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

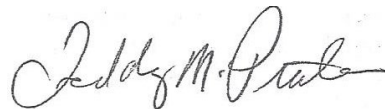
**Report on Internal Control over Compliance (Continued)**

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

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

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Teddy M. Prater". The signature is fluid and cursive, with a large initial "T" and "P".

Teddy Michael Prater CPA, PLLC

June 9, 2023

THIS PAGE LEFT BLANK INTENTIONALLY

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

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

THIS PAGE LEFT BLANK INTENTIONALLY

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

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

**Section I: Summary of Auditor's Results**

***Financial Statement***

Type of report the auditor issued on whether the financial statement audited was prepared in accordance with GAAP:  
 Adverse on GAAP and Unmodified on Regulatory Basis

Internal control over financial reporting:

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

***Federal Awards***

Internal control over major programs:

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

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
97.040	Chemical Stockpile Emergency Preparedness Program

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

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

**Section II: Financial Statement Findings**

***State Laws And Regulations***

2022-001    The Estill County Fiscal Court Posted Draws On CSEPP Line Of Credit To The Incorrect Line Item  
 On The Quarterly Report

---

This is a repeat finding and was included in the prior year audit report as finding 2021-006. Estill County has a line of credit with the local bank that provides the fiscal court a mechanism to pay for CSEPP funded projects until they can subsequently seek financial reimbursement from the Kentucky Division of Emergency Management (KyEM). During fiscal year 2022, Estill County drew down \$1,145,905 on the line of credit and posted those draws they received to account code 4732 Revolving Loan Revenue according to the Department for Local Government's Budget Manual. However, since the money is drawn down on a loan, the amounts received should have been posted to account code 4911 Borrowed Money. As a result, a material adjusting journal entry had to be made to reclassify this amount from account code 75-4732 to 75-4911.

The draws on this line of credit have been posted to account code 4732 since it began, and the county was never made aware that it should have been posted elsewhere.

As a result, the fiscal court is not in compliance with requirements set by the Department for Local Government when recording proceeds from financial obligations.

Per KRS 68.210, the Department for Local Government's *County Budget Preparation and State Local Finance Office Policy Manual* specifies a uniform system of accounts to be followed by county governments. This manual designates account code 4911 as the proper code for borrowed money proceeds.

We recommend the fiscal court start recording draws on lines of credit to account code 4911 to ensure they are in compliance with the Department for Local Government's Uniform System of Accounts.

**Views of Responsible Official and Planned Corrective Action:**

*County Judge/Executive's Response: Draws received from revolving line of credit were posted to account code 75-4732 Revolving Loan Revenue since first revolving loan originated in 2019. This account was used from the County Budget Manual.*

*Line of credit draws have been reclassified to revenue code 75-4911 Borrowed Money as recommended in audit.*

**Section III: Federal Award Findings And Questioned Costs**

None.



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

**Section IV: Summary Schedule of Prior Audit Findings**

Finding Number	Prior Year Finding Title	Status	Corrective Action
2021-001	The Estill County Fiscal Court Failed To Implement Adequate Internal Controls And Oversight For Disbursements And Transfers	Corrected	N/A
2021-002	Internal Controls Over Occupational Tax Collections Are Not Adequate	Corrected	N/A
2021-003	Internal Controls, Review Procedures, And Oversight For Payroll Processing Are Not Adequate	Corrected	N/A
2021-004	The Estill County Fiscal Court Did Not Provide The Same Level Of Health Insurance Coverage To All County Employees	Corrected	N/A
2021-005	Remaining Balance Of The Line Of Credit Was Not Paid By The End Of The Fiscal Year	Corrected	N/A
2021-006	Draws On CSEPP Line Of Credit Were Posted To The Incorrect Line Item On The Quarterly Report	Not Corrected	See Finding 2022-001
2021-007	The Estill County Fiscal Court's Schedule Of Expenditures Of Federal Awards Submitted To The Department For Local Government Was Not Accurate	Corrected	N/A

THIS PAGE LEFT BLANK INTENTIONALLY

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

**ESTILL COUNTY FISCAL COURT**

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

THIS PAGE LEFT BLANK INTENTIONALLY

CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE  
ESTILL COUNTY FISCAL COURT

For The Year Ended June 30, 2022

The Estill 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.

A handwritten signature in blue ink, reading "Ronnie Watson", is written over a horizontal line.

County Judge/Executive

A handwritten signature in blue ink, reading "Trida Lancaster", is written over a horizontal line.

County Treasurer