

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

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



**ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS
auditor.ky.gov**

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Basis for Opinions

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

Harlan 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 Harlan 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 Harlan 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 Dan Mosley, Harlan County Judge/Executive
Members of the Harlan 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 Harlan 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 February 28, 2024, on our consideration of the Harlan 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 Harlan 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 Dan Mosley, Harlan County Judge/Executive
Members of the Harlan 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:

2023-001 The Harlan County Fiscal Court Does Not Have Sufficient Internal Controls Over Waste Removal Collections

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

February 28, 2024

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

Dan Mosley	County Judge/Executive
Bill Moore	Magistrate
Paul Browning	Magistrate
Jim Roddy	Magistrate
James Howard	Magistrate
Clark Middleton (deceased January 2023)	Magistrate
Robert Leo Miller (appointed January 2023)	Magistrate

Other Elected Officials:

Fred Busroe	County Attorney
Bradley J. Burkhart	Jailer
Ashley Sullivan	County Clerk
Wendy Flannary	Circuit Court Clerk
Christopher Brewer	Sheriff
Felicia Wooten	Property Valuation Administrator
John Derrick Noe	Coroner

Appointed Personnel:

Ryan Creech	County Treasurer
Colby Goss	Deputy Judge Executive
Keri Stevens	Administrative Assistant
Alice Hensley	Finance Officer/Time Data Entry Clerk
Jessica Turner	Accounts Payables
Trinity Vance	Payroll Clerk

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

For The Year Ended June 30, 2023

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

For The Year Ended June 30, 2023

	<u>Budgeted Funds</u>		
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
RECEIPTS			
Taxes	\$ 3,365,438	\$	\$
In Lieu Tax Payments	10,426	1,433	
Excess Fees			
Licenses and Permits	173,753		
Intergovernmental	2,793,179	1,652,013	1,758,434
Charges for Services	1,505,760		29,854
Miscellaneous	833,233	447,794	166,132
Interest	63,872	28,620	
Total Receipts	<u>8,745,661</u>	<u>2,129,860</u>	<u>1,954,420</u>
DISBURSEMENTS			
General Government	2,846,992		
Protection to Persons and Property	626,094		2,197,540
General Health and Sanitation	1,819,128		
Social Services	303,100		
Recreation and Culture	1,122,913		
Roads		1,487,882	
Airports	31,000		
Debt Service	79,209	745,850	
Administration	1,821,832	435,313	761,176
Total Disbursements	<u>8,650,268</u>	<u>2,669,045</u>	<u>2,958,716</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>95,393</u>	<u>(539,185)</u>	<u>(1,004,296)</u>
Other Adjustments to Cash (Uses)			
Borrowed Money		166,589	
Transfers From Other Funds			977,830
Transfers To Other Funds	(1,743,462)		
Total Other Adjustments to Cash (Uses)	<u>(1,743,462)</u>	<u>166,589</u>	<u>977,830</u>
Net Change in Fund Balance	(1,648,069)	(372,596)	(26,466)
Fund Balance - Beginning	<u>6,999,358</u>	<u>2,908,823</u>	<u>72,445</u>
Fund Balance - Ending	<u>\$ 5,351,289</u>	<u>\$ 2,536,227</u>	<u>\$ 45,979</u>
Composition of Fund Balance			
Bank Balance	\$ 5,416,232	\$ 2,583,184	\$ 127,947
Plus: Deposits In Transit	13,631		
Less: Outstanding Checks	(719,120)	(46,957)	(81,968)
Certificates of Deposit	640,546		
Fund Balance - Ending	<u>\$ 5,351,289</u>	<u>\$ 2,536,227</u>	<u>\$ 45,979</u>

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

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

Budgeted Funds							
Local Government Economic Assistance Fund	Federal Grants Fund	Sinking Fund	Local Governmental Economic Development Fund	Emergency 911 Fund	Clerk Storage Fund	Opioid Fund	American Rescue Plan Act Fund
\$	\$	\$	\$	\$ 202,425	\$	\$	\$
					24,390		
1,833,075	1,449,000		1,789,557	282,048			2,576,069
19,540	10	1		4,780		1,849	14,769
<u>1,852,615</u>	<u>1,449,010</u>	<u>1</u>	<u>1,789,557</u>	<u>489,253</u>	<u>24,390</u>	<u>1,849</u>	<u>2,590,838</u>
16,812			132,289		4,664		400,000
97,007	1,239,000		291,888	420,389			864,619
398,103	200,000						
	15,000		612,698				
270,084			126,402				
		842,655	125,000				
195,964				10,000			
<u>977,970</u>	<u>1,454,000</u>	<u>842,655</u>	<u>1,288,277</u>	<u>430,389</u>	<u>4,664</u>		<u>1,264,619</u>
<u>874,645</u>	<u>(4,990)</u>	<u>(842,654)</u>	<u>501,280</u>	<u>58,864</u>	<u>19,726</u>	<u>1,849</u>	<u>1,326,219</u>
		843,710				421,922	
			(500,000)				
		<u>843,710</u>	<u>(500,000)</u>			<u>421,922</u>	
874,645	(4,990)	1,056	1,280	58,864	19,726	423,771	1,326,219
2,120,829	104,154	10,101	884,743	770,319			1,815,796
<u>\$ 2,995,474</u>	<u>\$ 99,164</u>	<u>\$ 11,157</u>	<u>\$ 886,023</u>	<u>\$ 829,183</u>	<u>\$ 19,726</u>	<u>\$ 423,771</u>	<u>\$ 3,142,015</u>
\$ 3,009,040	\$ 99,164	\$ 11,157	\$ 930,023	\$ 832,590	\$ 19,726	\$ 423,771	\$ 3,362,300
(13,566)			(44,000)	(3,407)			(220,285)
<u>\$ 2,995,474</u>	<u>\$ 99,164</u>	<u>\$ 11,157</u>	<u>\$ 886,023</u>	<u>\$ 829,183</u>	<u>\$ 19,726</u>	<u>\$ 423,771</u>	<u>\$ 3,142,015</u>

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

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

	<u>Unbudgeted Funds</u>		
	Justice Center		
	Public Properties	Jail	Total
	Corporation	Commissary	
Fund	Fund	Funds	
RECEIPTS			
Taxes	\$	\$	\$ 3,567,863
In Lieu Tax Payments			11,859
Excess Fees			24,390
Licenses and Permits			173,753
Intergovernmental	672,125		14,805,500
Charges for Services			1,535,614
Miscellaneous		714,711	2,161,870
Interest	239		133,680
Total Receipts	<u>672,364</u>	<u>714,711</u>	<u>22,414,529</u>
DISBURSEMENTS			
General Government			3,400,757
Protection to Persons and Property			5,736,537
General Health and Sanitation			2,417,231
Social Services			930,798
Recreation and Culture		504,022	2,023,421
Roads			1,487,882
Airports			31,000
Debt Service	670,625		2,463,339
Administration	1,650		3,225,935
Total Disbursements	<u>672,275</u>	<u>504,022</u>	<u>21,716,900</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>89</u>	<u>210,689</u>	<u>697,629</u>
Other Adjustments to Cash (Uses)			
Borrowed Money			166,589
Transfers From Other Funds			2,243,462
Transfers To Other Funds			(2,243,462)
Total Other Adjustments to Cash (Uses)			<u>166,589</u>
Net Change in Fund Balance	89	210,689	864,218
Fund Balance - Beginning	2,878	204,906	15,894,352
Fund Balance - Ending	<u>\$ 2,967</u>	<u>\$ 415,595</u>	<u>\$ 16,758,570</u>
Composition of Fund Balance			
Bank Balance	\$ 2,967	\$ 415,585	\$ 17,233,686
Plus: Deposits In Transit		2,120	15,751
Less: Outstanding Checks		(2,110)	(1,131,413)
Certificates of Deposit			640,546
Fund Balance - Ending	<u>\$ 2,967</u>	<u>\$ 415,595</u>	<u>\$ 16,758,570</u>

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

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TO THE FINANCIAL STATEMENT**

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**HARLAN COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2023

Note 1. Summary of Significant Accounting Policies

D. Reporting Entity

The financial statement of Harlan County includes all budgeted and unbudgeted funds under the control of the Harlan 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 Harlan County Industrial Development Authority Board, Tucker Guthrie Airport, and Sleepy Hollow Golf Course 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.

D. 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 1st, levied (mailed) November 1st, due at discount November 30th, due at face value December 31st, delinquent January 1st following the assessment, and subject to sale ninety days following April 15th.

D. 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.

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

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

Federal Grants Fund - The primary purpose of this fund is to account for federal grants and related disbursements. The primary source of receipts for this fund is federal grants.

Sinking Fund - The primary purpose of this fund is to process debt payments. The primary sources of receipts for this fund are general fund and local government economic development fund monies.

Local Government Economic Development Fund - The purpose of this fund is to account for projects funded by local government economic development funds. The primary sources of receipts are grants received from the Department for Local Government.

Emergency 911 Fund - The purpose of this fund is to account for emergency 911 receipts and disbursements. The sole source of receipts for this fund is telephone tax.

Clerk Storage Account - The purpose of this fund is to account for county clerk storage fees for the retention of deed room records in the county clerk's office. The primary source of receipts for this fund is collection of the storage fee collected by the county clerk on deed room transactions.

Opioid Fund - The purpose of this fund is to account for the county supporting opioid addiction treatment and recovery services. The primary source of receipts for this fund are from national settlement with pharmaceutical distributors that played a role in creating and fueling the opioid epidemic.

American Rescue Plan Act Fund - The purpose of this fund is to account for Coronavirus state and local fiscal recovery funds and related disbursements. The primary source of receipts for this fund are federal Coronavirus grant funds.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Justice Center 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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Unbudgeted Funds (Continued)

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135. The profits generated from the sale of items are to be used for the benefit and to enhance the well-being of the inmates, or to enhance safety and security within the jail. The jailer is required to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail commissary fund.

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 1st of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1st.

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 jail commissary fund to be budgeted because the fiscal court does not approve the expenses of this fund.

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

E. Harlan County Elected Officials

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

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

HARLAN 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

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on this criteria, the Harlan County Outdoor Recreation Board Authority (HCORBA) is considered a related organization of the Harlan County Fiscal Court.

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.

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

Note 3. Transfers

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

	General Fund	Local Government Economic Development Fund	Total Transfers In
Jail Fund	\$ 977,830	\$	\$ 977,830
Sinking Fund	343,710	500,000	843,710
Opioid Fund	421,922		421,922
 Total Transfers Out	 <u>\$ 1,743,462</u>	 <u>\$ 500,000</u>	 <u>\$ 2,243,462</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. Custodial Funds

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

The fiscal court has the following custodial funds:

Louellen Escrow Fund – The fund is held by the Harlan County Fiscal Court for the Army Corps of Engineers for sewer projects located in Harlan County. The balance in the Louellen escrow fund as of June 30, 2023, was \$226,602.

Cloverfork Escrow Fund – This fund is held by the Harlan County Fiscal Court for the Army Corps of Engineers for flood projects located in Harlan County. The balance in the Cloverfork escrow fund as of June 30, 2023, was \$3,113.

Flood Control Fund – This fund is held by the Harlan County Fiscal Court for the Army Corps of Engineers for flood projects located in Harlan County. The balance in the flood control fund as of June 30, 2023, was \$1,104.

City of Cumberland Hazard Mitigation Project – This fund is jointly held by the Harlan County Fiscal Court and a local banking institution for the City of Cumberland for assistance with various hazard mitigation activities to prevent flood damage, including but not limited to retrofitting sewage lift stations, construction of sewer lines, construction of concrete box culverts and ditching, installing weather warning sirens, and installing generators. The balance in the City of Cumberland hazard mitigation project as of June 30, 2023, was \$4,019.

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2023 was \$6,528.

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

Note 5. Leases

A. Lessor

1. Coldiron - AXP Energy Lease

During fiscal year 2022, the Harlan County Fiscal Court began leasing office and warehouse space in Coldiron buildings in Harlan County to AXP Energy, Inc. The lease is for three years and the Harlan County Fiscal Court will receive monthly payments of \$2,850. The Harlan County Fiscal Court recognized \$34,200 in lease revenue during the current fiscal year related to this lease. As of June 30, 2023, the Harlan County Fiscal Court's receivable for lease payments was \$54,150.

2. Putney - JRL Coal Lease

During fiscal year 2021, the Harlan County Fiscal Court began leasing office and warehouse space at Putney in Harlan County to JRL Coal, Inc. The lease is for three years and the Harlan County Fiscal Court will receive monthly payments of \$2,100. The Harlan County Fiscal Court recognized \$23,100 in lease revenue during the current fiscal year related to this lease. As of June 30, 2023, the Harlan County Fiscal Court's receivable for lease payments was \$14,700.

B. Lessee

1. Lease Agreement - Enterprise FM Trust

On July 7, 2015, the Harlan County Fiscal Court entered into a lease agreement with Enterprise FM Trust to lease several vehicles for use by the Harlan County Fiscal Court. Enterprise FM Trust will, on or about the date of delivery of each vehicle to the county, include a schedule covering the vehicle, which will include a description of the vehicle, the lease term and the monthly rental and other payments due with respect to the vehicle. The agreement is a lease only and the county will not have right, title, or interest in or to the vehicles except for the use of the vehicles as described in the agreement. The lease term commences on the delivery date of the vehicle and ends either 60 or 48 months after the first full month rental payment date with an option to continue month-to-month for an unlimited period of time. During fiscal year 2023, the county leased 28 vehicles with a total lease outstanding lease balance of \$424,965 as of June 30, 2023. The lease payments required under the leasing agreement for the fiscal years ending June 30, 2024, and thereafter are as follows:

Fiscal Year Ending June 30	Amount
2024	\$ 171,568
2025	105,153
2026	72,728
2027	61,710
2028	13,807
Totals	<u>\$ 424,966</u>

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

Note 5. Leases (Continued)

B. Lessee (Continued)

2. Copier Lease

During the current fiscal year, the Harlan County Detention Center entered into a four-year lease agreement as lessee for the acquisition and use of a copier. An initial lease liability was recorded in the amount of \$1,200 during the current fiscal year. As of June 30, 2023, the value of the lease liability was \$2,700. The Harlan County Detention Center is required to make monthly principal payments of \$100.

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

Fiscal Year Ended June 30	Amount
2024	\$ 1,200
2025	1,200
2026	<u>300</u>
Total Minimum Lease Payments	<u>\$ 2,700</u>

3. Copier, Printer, Scanner Lease

During fiscal year 2020, the Harlan County Detention Center entered into a four-year lease agreement as lessee for the acquisition and use of a copier, printer, and scanner. A lease liability was recorded in the amount of \$4,080 during the current fiscal year. As of June 30, 2023, the value of the lease liability was \$4,420. The Harlan County Detention Center is required to make monthly principal payments of \$340.

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

Fiscal Year Ended June 30	Amount
2024	\$ 4,080
2025	<u>340</u>
Total Minimum Lease Payments	<u>\$ 4,420</u>

4. Land Lease

On August 17, 2001, the Harlan County Fiscal Court entered into a lease agreement as lessee for the use of land for the purpose of constructing and maintaining a community park. A lease liability was recorded in the amount of \$25 during the current fiscal year. As of June 30, 2023, the value of the lease liability could not be determined due to the lease being for an indefinite period of time. The Harlan County Fiscal Court is required to make annual payments of \$25.

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

Note 6. Subscription-Based Information Technology Arrangements (SBITA)

A. SBITA – Accounting Subscription

The Harlan County Fiscal Court entered into a subscription-based technology arrangement accounting software in the finance department. The subscription terms are three years totaling \$77,808, and the Harlan County Fiscal Court will receive the right-to-use subscription asset (intangible asset). As of June 30, 2023, the value of the subscription liability was \$17,804. The Harlan County Fiscal Court is required to make monthly payments of \$2,226.

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

Fiscal Year Ended June 30	Amount
2024	\$ 17,804
Total Minimum Lease Payments	\$ 17,804

Note 7. Reserved For Youth Activities and Facilities – Certificate Of Deposit

On January 11, 2010, the Harlan County Circuit Court ordered \$500,000 to be donated to the Harlan County Fiscal Court from two defendants in a criminal action case. These funds were ordered to be designated for the sole use of drug abuse prevention through youth activities and facilities. These funds are maintained in the general fund. During September 2016, funds were transferred into a certificate of deposit. The balance in the certificate of deposit as of June 30, 2023, was \$531,934.

Note 8. Legal Contingencies

The county is involved in multiple lawsuits. While individually they may not be significant, in the aggregate they could negatively or favorably impact the county's financial position. Due to the uncertainty of the litigation, a reasonable estimate of the financial impact on the county cannot be made at this time.

Note 9. Long-term Debt

A. Direct Borrowings and Direct Placements

1. Kentucky Association of Counties (KACO) Lease Trust Program – Series 2018

On November 15, 2018, the Harlan County Fiscal Court entered into a financing agreement with Kentucky Association of Counties (KACO) leasing trust program in the amount of \$5,065,000 for the refinance of the Kentucky Association of Counties (KACO) leasing trust, series 2008, and the refinance of the Kentucky Area Development District (KADD) lease, 2007 issue. In order to secure all of its obligations, the lessee grants to the lessor a first and prior security interest in any and all right, title and interest of the lessee in the portion of the project that constitute personal property and, in all additions,, attachments, accessories, and substitutions thereto, and on any proceeds therefrom. The debt requirements stipulate an annual principal payment and two semiannual interest payments with the lease termination date of February 1, 2038. As of June 30, 2023, the principal amount outstanding was \$3,840,000. Debt service requirements for the fiscal years ending June 30, 2024, and thereafter are as follows:

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

Note 9. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

1. Kentucky Association of Counties (KACO) Lease Trust Program – Series 2018 (Continued)

Fiscal Year Ending June 30	Principal	Scheduled Interest
2024	\$ 330,000	\$ 175,030
2025	345,000	157,330
2026	360,000	138,842
2027	380,000	119,443
2028	400,000	98,993
2029-2033	1,250,000	273,563
2034-2038	775,000	102,124
Totals	<u>\$ 3,840,000</u>	<u>\$ 1,065,325</u>

2. Financing Obligation - Truck

The county entered into a new lease in the amount of \$438,478 with Magnolia Bank through KACo Leasing Trust on April 21, 2020, to refinance the lease dated March 12, 2020, and to also lease an additional three trucks with an option to purchase. The terms of the new lease called for 18 months at an interest rate of 2.55% (which includes an administrative fee of .40%) ending on October 20, 2021, to be secured by the trucks. The loan called for monthly interest payments with the principal amount being due on October 20, 2021. The lease was revised on September 9, 2021 to extend the principal amount being due on October 20, 2022. The lease was revised due to a new truck not being available at the end of the original lease date. This obligation was paid in full as of June 30, 2023.

3. Financing Obligation - Truck

On June 4, 2021, the Harlan County Fiscal Court entered into a lease in the amount of \$145,422 with an option to purchase with Magnolia Bank through Kentucky Association of Counties (KACo) Leasing Trust. The terms of the lease called for 18 months at an interest rate of 3.74% ending on December 20, 2022 to be secured by the truck. The loan called for monthly interest payments with the principal amount being due on December 20, 2022. This obligation was paid in full as of June 30, 2023.

4. Financing Obligation - Truck

On July 29, 2022, the Harlan County Fiscal Court entered into a lease in the amount of \$166,589 with an option to purchase with Magnolia Bank through Kentucky Association of Counties (KACo) Leasing Trust. The terms of the lease called for 18 months at an interest rate of 3.74% ending on January 20, 2024 to be secured by the truck. The loan called for monthly interest payments with the principal amount being due on January 20, 2024. The balance at June 30, 2023, was \$166,589.

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

Note 9. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

4. Financing Obligation – Truck (Continued)

Fiscal Year Ending June 30	Principal	Scheduled Interest
2024	\$ 166,589	\$ 3,634
Totals	<u>\$ 166,589</u>	<u>\$ 3,634</u>

B. Other Debt

1. Detention Center General Obligation Bond – 2013 Series

On May 7, 2013, the county issued \$5,350,000 of general obligation bonds. These bonds were issued for the purpose of refinancing the general obligation bonds, series 2004, for the acquisition, construction, and equipping of construction of the detention center facility. The bonds require two semiannual interest payments be made on March 1 and September 1st of each year beginning September 1, 2013. Principal payments are due September 1 of each year until September 1, 2034. As of June 30, 2023, the principal amount outstanding was \$3,445,000. Debt service requirements for the fiscal years ending June 30, 2024, and thereafter are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2024	\$ 240,000	\$ 100,500
2025	255,000	94,312
2026	255,000	87,619
2027	260,000	80,213
2028	265,000	72,338
2029-2033	1,495,000	231,125
2034-2035	<u>675,000</u>	<u>22,181</u>
Totals	<u>\$ 3,445,000</u>	<u>\$ 688,288</u>

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

Note 9. Long-term Debt (Continued)

B. Other Debt (Continued)

2. Justice Center Public Properties Corporation Refunding Revenue Bonds – 2010 Series

On November 23, 2010, the Harlan County Fiscal Court issued revenue bonds for the purpose of advanced refunding of the first mortgage revenue bonds, series 2002, associated with the justice center project. The principal amount of the refunding bonds when issued was \$6,865,000 and interest varies from 2% to 3.5%. Interest payments are due each March 1st and each September 1st until March 2025. Principal payments are due with the March interest payment beginning in 2013. The Harlan County Justice Center Corporation (corporation), the county and the Administrative of the Courts (AOC) have entered into a lease agreement, dated as of November 23, 2010, wherein AOC will lease from the corporation the justice center, at an agreed rental, which rental amount will be assigned by the corporation to the trustee and is anticipated to be adequate to pay approximately one hundred percent (100%) of the principal and interest on the bonds. The principal balance at June 30, 2023, is \$1,270,000. Debt service requirements for the fiscal years ending June 30, 2024, and thereafter are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2024	\$ 625,000	\$ 44,450
2025	645,000	22,575
Totals	<u>\$ 1,270,000</u>	<u>\$ 67,025</u>

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	\$ 4,588,978	\$ 166,589	\$ 748,978	\$ 4,006,589	\$ 496,589
Other Debt	5,555,000		840,000	4,715,000	865,000
Total Long-term Debt	<u>\$ 10,143,978</u>	<u>\$ 166,589</u>	<u>\$ 1,588,978</u>	<u>\$ 8,721,589</u>	<u>\$ 1,361,589</u>

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

Note 9. 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	\$ 865,000	\$ 144,950	\$ 496,589	\$ 178,664
2025	900,000	116,887	345,000	157,330
2026	255,000	87,619	360,000	138,842
2027	260,000	80,213	380,000	119,443
2028	265,000	72,338	400,000	98,993
2029-2033	1,495,000	231,125	1,250,000	273,563
2034-2038	675,000	22,181	775,000	102,124
Totals	<u>\$ 4,715,000</u>	<u>\$ 755,313</u>	<u>\$ 4,006,589</u>	<u>\$ 1,068,959</u>

Note 10. Contingent Liability

On May 15, 2012, the Harlan County Fiscal Court, for and on behalf of the Harlan County Outdoor Recreation Board Authority (HCORBA) entered into a mortgage agreement with the Harlan Revitalization Association for \$175,000 for financing of a zip-line located at the Black Mountain Off Road Adventure Area at Evarts, Kentucky. This loan is secured by county owned property. The HCORBA is responsible for debt payments to the Harlan Revitalization Association. As of June 30, 2023, the ending principal balance of the loan was \$96,178.

Note 11. Conduit Debt

A. The Laurels Addition Project

On October 26, 2000, the Harlan County Fiscal Court adopted an ordinance authorizing the execution of an indenture of trust (indenture) between the Harlan County Fiscal Court (county) and the Bank of Harlan, Harlan, Kentucky, (trustee) under which bonds were authorized to be issued. Health Care Facility Revenue Bonds, Series 2000, were issued in the principal amount of \$1,530,000. The bonds are a limited obligation of the Harlan County Fiscal Court payable solely from annual rental payments received from Laurels, Inc. The proceeds of the issue were applied to the cost of constructing a 32-bed personal care facility immediately adjacent to the existing Laurels Nursing Home.

The ordinance also authorizes the execution of a lease agreement by and among the county, as lessor, and the Laurels, Inc., as lessee. Under the lease, Laurels, Inc. will lease the project from the county for the term of the bonds, at annual rentals sufficient to pay the principal and interest requirements on the bonds as the same become due. The county pledged to provide a standby guarantee on the debt service for an initial term ending June 30, 2001. The bonds and related interest do not represent or constitute an indebtedness of Harlan County Fiscal Court. As of June 30, 2023, the outstanding principal balance due was \$715,000.

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

Note 11. Conduit Debt (Continued)

B. Black Mountain Utility District – Collateral Deposit Account

On June 16, 2015, the Harlan County Fiscal Court entered into an assignment of deposit account with the Black Mountain Utility District, Baxter, Kentucky, and the Bank of Harlan, Harlan, Kentucky, in the amount of \$150,000. This assignment of deposit was renewed on August 28, 2019 and was executed among the Harlan County Fiscal Court (grantor); the Black Mountain Utility District (borrower); and the Monticello Banking Company (formerly Bank of Harlan, lender). The agreement was renewed as a Commercial Security Agreement between the Harlan County Fiscal Court (collateral owner), the Black Mountain Utility District (debtor); and Monticello Banking Company (lender) as a \$144,000 line of credit for Black Mountain Utility District. The specific collateral covered by this agreement is the certificate of deposit totaling \$150,000 held by the Monticello Banking Company for the Harlan County Fiscal Court. The certificate of deposit held by the Monticello Banking Company for the Harlan County Fiscal Court for collateral for Black Mountain Utility District totaling \$150,000 was decreased to \$107,624 with an updated Commercial Security Agreement issued on July 1, 2020. As of June 30, 2023, the balance in the certificate of deposit account held for collateral was \$85,000 and Black Mountain Utility Districts loan balance on the line of credit is \$85,000.

Note 12. 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 \$842,262, FY 2022 was \$953,403, and FY 2023 was \$987,821.

Nonhazardous

Nonhazardous covered employees are required to contribute five percent (5%) of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute six percent (6%) of their salary to be allocated as follows: five percent (5%) will go to the member's account and one percent (1%) 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 five percent (5%) of their annual creditable compensation. Nonhazardous members also contribute one percent (1%) 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 four percent (4%) employer pay credit. The employer pay credit represents a portion of the employer contribution.

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

Note 12. 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 26.79 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.

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.

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

Note 12. 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.

F. 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 13. Deferred Compensation

The Harlan 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.

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

Note 13. Deferred Compensation (Continued)

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

Note 14. Insurance

For the fiscal year ended June 30, 2023, the Harlan 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 15. Health Reimbursement Account

Starting July 1, 2022, the county started a health reimbursement plan with the health insurance company provider. From July 2022 through December 2022, each full-time employee could receive up to \$750 to use on health-related expenses. Then January 2023 through December 2023, the employees received up to another \$750. The remaining balance at the end of the calendar year does not carry forward to the next calendar year.

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

For The Year Ended June 30, 2023

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HARLAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2023

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 3,649,000	\$ 3,649,000	\$ 3,365,438	\$ (283,562)
In Lieu Tax Payments	200	200	10,426	10,226
Licenses and Permits	159,000	159,000	173,753	14,753
Intergovernmental	6,751,426	6,751,426	2,793,179	(3,958,247)
Charges for Services	1,553,500	1,553,500	1,505,760	(47,740)
Miscellaneous	205,000	817,010	833,233	16,223
Interest	17,000	17,000	63,872	46,872
Total Receipts	<u>12,335,126</u>	<u>12,947,136</u>	<u>8,745,661</u>	<u>(4,201,475)</u>
DISBURSEMENTS				
General Government	3,049,035	3,392,590	2,846,992	545,598
Protection to Persons and Property	905,664	1,087,690	626,094	461,596
General Health and Sanitation	3,573,000	3,532,395	1,819,128	1,713,267
Social Services	2,914,000	2,833,500	303,100	2,530,400
Recreation and Culture	1,740,000	1,712,300	1,122,913	589,387
Airports	300,000	34,064	31,000	3,064
Debt Service	84,700	99,035	79,209	19,826
Capital Projects	2,000	2,000		2,000
Administration	1,913,416	1,893,329	1,821,832	71,497
Total Disbursements	<u>14,481,815</u>	<u>14,586,903</u>	<u>8,650,268</u>	<u>5,936,635</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,146,689)</u>	<u>(1,639,767)</u>	<u>95,393</u>	<u>1,735,160</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(1,330,036)	(1,836,958)	(1,743,462)	93,496
Total Other Adjustments to Cash (Uses)	<u>(1,330,036)</u>	<u>(1,836,958)</u>	<u>(1,743,462)</u>	<u>93,496</u>
Net Change in Fund Balance	(3,476,725)	(3,476,725)	(1,648,069)	1,828,656
Fund Balance - Beginning	3,476,725	3,476,725	6,999,358	3,522,633
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,351,289</u>	<u>\$ 5,351,289</u>

HARLAN 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				
In Lieu Tax Payments	\$ 2,000	\$ 2,000	\$ 1,433	\$ (567)
Intergovernmental	1,823,300	1,823,300	1,652,013	(171,287)
Miscellaneous	450,000	450,000	447,794	(2,206)
Interest	7,500	7,500	28,620	21,120
Total Receipts	<u>2,282,800</u>	<u>2,282,800</u>	<u>2,129,860</u>	<u>(152,940)</u>
DISBURSEMENTS				
Roads	1,792,200	2,022,200	1,487,882	534,318
Debt Service	602,000	757,000	745,850	11,150
Administration	519,900	459,900	435,313	24,587
Total Disbursements	<u>2,914,100</u>	<u>3,239,100</u>	<u>2,669,045</u>	<u>570,055</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(631,300)</u>	<u>(956,300)</u>	<u>(539,185)</u>	<u>417,115</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds	<u>400,000</u>	<u>400,000</u>	<u>166,589</u>	<u>(233,411)</u>
Total Other Adjustments to Cash (Uses)	<u>400,000</u>	<u>400,000</u>	<u>166,589</u>	<u>(233,411)</u>
Net Change in Fund Balance	(231,300)	(556,300)	(372,596)	183,704
Fund Balance - Beginning	<u>231,300</u>	<u>556,300</u>	<u>2,908,823</u>	<u>2,352,523</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,536,227</u>	<u>\$ 2,536,227</u>

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

	JAIL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 1,845,000	\$ 1,845,000	\$ 1,758,434	\$ (86,566)
Charges for Services	1,700	1,700	29,854	28,154
Miscellaneous	133,000	133,000	166,132	33,132
Total Receipts	<u>1,979,700</u>	<u>1,979,700</u>	<u>1,954,420</u>	<u>(25,280)</u>
DISBURSEMENTS				
Protection to Persons and Property	2,075,500	2,287,500	2,197,540	89,960
Administration	947,236	820,236	761,176	59,060
Total Disbursements	<u>3,022,736</u>	<u>3,107,736</u>	<u>2,958,716</u>	<u>149,020</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,043,036)</u>	<u>(1,128,036)</u>	<u>(1,004,296)</u>	<u>123,740</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	993,036	1,078,036	977,830	(100,206)
Total Other Adjustments to Cash (Uses)	<u>993,036</u>	<u>1,078,036</u>	<u>977,830</u>	<u>(100,206)</u>
Net Change in Fund Balance	(50,000)	(50,000)	(26,466)	23,534
Fund Balance - Beginning	<u>50,000</u>	<u>50,000</u>	<u>72,445</u>	<u>22,445</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 45,979</u>	<u>\$ 45,979</u>

HARLAN 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	\$ 700,000	\$ 775,000	\$ 1,833,075	\$ 1,058,075
Interest	3,000	3,000	19,540	16,540
Total Receipts	<u>703,000</u>	<u>778,000</u>	<u>1,852,615</u>	<u>1,074,615</u>
DISBURSEMENTS				
General Government	29,000	29,000	16,812	12,188
Protection to Persons and Property	80,000	105,000	97,007	7,993
General Health and Sanitation	342,377	422,377	398,103	24,274
Recreation and Culture	304,800	305,114	270,084	35,030
Administration	268,000	237,686	195,964	41,722
Total Disbursements	<u>1,024,177</u>	<u>1,099,177</u>	<u>977,970</u>	<u>121,207</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(321,177)</u>	<u>(321,177)</u>	<u>874,645</u>	<u>1,195,822</u>
Net Change in Fund Balance	(321,177)	(321,177)	874,645	1,195,822
Fund Balance - Beginning	<u>321,177</u>	<u>321,177</u>	<u>2,120,829</u>	<u>1,799,652</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,995,474</u>	<u>\$ 2,995,474</u>

HARLAN 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	\$ 1,485,000	\$ 1,485,000	\$ 1,449,000	\$ (36,000)
Interest	12	12	10	(2)
Total Receipts	<u>1,485,012</u>	<u>1,485,012</u>	<u>1,449,010</u>	<u>(36,002)</u>
DISBURSEMENTS				
General Government				
Protection to Persons and Property	1,250,000	1,250,000	1,239,000	11,000
General Health and Sanitation	200,012	200,012	200,000	12
Social Services	135,000	135,000	15,000	120,000
Total Disbursements	<u>1,585,012</u>	<u>1,585,012</u>	<u>1,454,000</u>	<u>131,012</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(100,000)</u>	<u>(100,000)</u>	<u>(4,990)</u>	<u>95,010</u>
Net Change in Fund Balance	(100,000)	(100,000)	(4,990)	95,010
Fund Balance - Beginning	<u>100,000</u>	<u>100,000</u>	<u>104,154</u>	<u>4,154</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 99,164</u>	<u>\$ 99,164</u>

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

	SINKING FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Interest	\$ 1,000	\$ 1,000	\$ 1	\$ (999)
Total Receipts	<u>1,000</u>	<u>1,000</u>	<u>1</u>	<u>(999)</u>
DISBURSEMENTS				
Debt Service	843,000	843,000	842,655	345
Administration	12,000	12,000		12,000
Total Disbursements	<u>855,000</u>	<u>855,000</u>	<u>842,655</u>	<u>12,345</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(854,000)</u>	<u>(854,000)</u>	<u>(842,654)</u>	<u>11,346</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	837,000	837,000	843,710	6,710
Total Other Adjustments to Cash (Uses)	<u>837,000</u>	<u>837,000</u>	<u>843,710</u>	<u>6,710</u>
Net Change in Fund Balance	(17,000)	(17,000)	1,056	18,056
Fund Balance - Beginning	<u>17,000</u>	<u>17,000</u>	<u>10,101</u>	<u>(6,899)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 11,157</u>	<u>\$ 11,157</u>

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

LOCAL GOVERNMENT ECONOMIC DEVELOPMENT FUND

	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Intergovernmental	\$ 2,760,114	\$ 2,760,114	\$ 1,789,557	\$ (970,557)
Total Receipts	<u>2,760,114</u>	<u>2,760,114</u>	<u>1,789,557</u>	<u>(970,557)</u>
DISBURSEMENTS				
General Government	200,000	275,000	132,289	142,711
Protection to Persons and Property	420,000	345,000	291,888	53,112
General Health and Sanitation	300,000	300,000		300,000
Social Services	651,792	653,976	612,698	41,278
Recreation and Culture	319,347	317,163	126,402	190,761
Debt Service	625,000	625,000	125,000	500,000
Capital Projects	243,975	243,975		243,975
Total Disbursements	<u>2,760,114</u>	<u>2,760,114</u>	<u>1,288,277</u>	<u>1,471,837</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			<u>501,280</u>	<u>501,280</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(500,000)</u>	<u>(500,000)</u>	<u>(500,000)</u>	
Total Other Adjustments to Cash (Uses)	<u>(500,000)</u>	<u>(500,000)</u>	<u>(500,000)</u>	
Net Change in Fund Balance	(500,000)	(500,000)	1,280	501,280
Fund Balance - Beginning	<u>500,000</u>	<u>500,000</u>	<u>884,743</u>	<u>384,743</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 886,023</u>	<u>\$ 886,023</u>

HARLAN 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	\$ 205,000	\$ 205,000	\$ 202,425	\$ (2,575)
Intergovernmental	260,000	260,000	282,048	22,048
Interest	1,000	1,000	4,780	3,780
Total Receipts	<u>466,000</u>	<u>466,000</u>	<u>489,253</u>	<u>23,253</u>
DISBURSEMENTS				
Protection to Persons and Property	502,000	558,900	420,389	138,511
Administration	20,020	16,120	10,000	6,120
Total Disbursements	<u>522,020</u>	<u>575,020</u>	<u>430,389</u>	<u>144,631</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(56,020)</u>	<u>(109,020)</u>	<u>58,864</u>	<u>167,884</u>
Net Change in Fund Balance	(56,020)	(109,020)	58,864	167,884
Fund Balance - Beginning	<u>56,020</u>	<u>109,020</u>	<u>770,319</u>	<u>661,299</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 829,183</u>	<u>\$ 829,183</u>

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

CLERK STORAGE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Excess Fees	\$ 25,000	\$ 25,000	\$ 24,390	\$ (610)
Total Receipts	<u>25,000</u>	<u>25,000</u>	<u>24,390</u>	<u>(610)</u>
DISBURSEMENTS				
General Government	25,000	25,000	4,664	20,336
Total Disbursements	<u>25,000</u>	<u>25,000</u>	<u>4,664</u>	<u>20,336</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			<u>19,726</u>	<u>19,726</u>
Net Change in Fund Balance			19,726	19,726
Fund Balance - Beginning				
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 19,726</u>	<u>\$ 19,726</u>

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

	OPIOID FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$	\$	\$ 1,849	\$ 1,849
Total Receipts			1,849	1,849
DISBURSEMENTS				
Administration		421,922		421,922
Total Disbursements		421,922		421,922
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(421,922)	1,849	423,771
Other Adjustments to Cash (Uses)				
Transfers From Other Funds		421,922	421,922	
Total Other Adjustments to Cash (Uses)		421,922	421,922	
Net Change in Fund Balance			423,771	423,771
Fund Balance - Beginning				
Fund Balance - Ending	\$	0	\$ 423,771	\$ 423,771

HARLAN 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	\$	\$	\$ 2,576,069	\$ 2,576,069
Interest			14,769	14,769
Total Receipts			<u>2,590,838</u>	<u>2,590,838</u>
DISBURSEMENTS				
Protection to Persons and Property	437,000	437,000	400,000	37,000
General Health and Sanitation	1,100,000	1,184,200	864,619	319,581
Capital Projects	2,663,000	2,578,800	<u> </u>	<u>2,578,800</u>
Total Disbursements	<u>4,200,000</u>	<u>4,200,000</u>	<u>1,264,619</u>	<u>2,935,381</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(4,200,000)</u>	<u>(4,200,000)</u>	<u>1,326,219</u>	<u>5,526,219</u>
Net Change in Fund Balance	(4,200,000)	(4,200,000)	1,326,219	5,526,219
Fund Balance - Beginning	4,200,000	4,200,000	<u>1,815,796</u>	<u>(2,384,204)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,142,015</u>	<u>\$ 3,142,015</u>

**HARLAN 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 1st of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1st.

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.

**HARLAN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For The Year Ended June 30, 2023

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**HARLAN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For The Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity's Identifying Number	Provided to Subrecipient	Total Federal Expenditures
<u>U. S. Department of Treasury</u>				
<i>Direct Program:</i>				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027		\$	\$ 1,264,619
Total U.S. Department of Treasury				1,264,619
<u>U. S. Department of Housing and Urban Development</u>				
<i>Passed-Through Kentucky Department for Local Government:</i>				
Community Development Block Grant - Sunshine VFD	14.228		\$	\$ 1,239,000
Community Development Block Grant - Cumberland Hope	14.228	18-052	190,000	200,000
Total U.S. Department of Housing and Urban Development			190,000	1,439,000
<u>U. S. Department of Homeland Security</u>				
<i>Passed-Through Kentucky Department of Military Affairs:</i>				
Federal Disaster Assistance to Individuals and Households in Presidential Declared Disaster Areas	97.048		\$	\$ 35,000
Emergency Management Performance Grant	97.042			44,445
Total U.S. Department of Homeland Security				79,445
<u>Executive Office of the President</u>				
<i>Passed-Through Laurel County Fiscal Court:</i>				
High Intensity Drug Trafficking Areas (HIDTA)	95.001		\$	\$ 22,009
Total Executive Office of the President				22,009
<u>U. S. Department of the Interior</u>				
<i>Passed-Through Kentucky Department for Local Government:</i>				
Abandoned Mine Land - Portal 31	15.252		\$	\$ 1,083,503
Abandoned Mine Land - Gas Line Project	15.252			45,769
Total U.S. Department of the Interior				1,129,272
<u>U. S. Department of Transportation</u>				
<i>Passed-Through Federal Aviation Administration:</i>				
Airport Improvement Program	20.106		\$	\$ 31,000
Total U.S. Department of Transportation				31,000
<u>U. S. Department of Justice</u>				
<i>Direct Program:</i>				
Equitable Sharing Program	16.922		\$	\$ 14,500
Total U.S. Department of Defense				14,500
Total Expenditures of Federal Awards			\$190,000	\$ 3,979,845

The accompanying notes are an integral part of this schedule.

HARLAN COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2023

Note 1. Basis of Presentation

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

Harlan County 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.

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

For The Year Ended June 30, 2023

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HARLAN 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
Vehicles & Equipment	\$ 3,241,231	\$ 211,671	\$ 341,126	\$ 3,111,776
Other Equipment	1,091,926	164,376		1,256,302
Land and Land Improvements	3,160,007			3,160,007
Buildings	21,606,402	213,908		21,820,310
Infrastructure	27,754,343	414,933		28,169,276
 Total Capital Assets	 <u>\$ 56,853,909</u>	 <u>\$ 1,004,888</u>	 <u>\$ 341,126</u>	 <u>\$ 57,517,671</u>

HARLAN 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 and Land Improvements	\$ 50,000	10-60
Buildings	\$ 100,000	10-75
Other Equipment	\$ 10,000	3-25
Vehicles and Equipment	\$ 10,000	3-25
Infrastructure	\$ 60,000	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***

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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 Dan Mosley, Harlan County Judge/Executive
Members of the Harlan 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 Harlan County Fiscal Court for the fiscal year ended June 30, 2023, and the related notes to the financial statement which collectively comprise the Harlan County Fiscal Court's financial statement and have issued our report thereon dated February 28, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Harlan 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 Harlan County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Harlan 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 Questioned Costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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



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

Report on Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Harlan 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Views of Responsible Official and Planned Corrective Action

Government Auditing Standards requires the auditor to perform limited procedures on the Harlan County's response to the findings identified in our audit and described 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,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

February 28, 2024

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

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ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

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

Independent Auditor's Report

The Honorable Dan Mosley, Harlan County Judge/Executive
Members of the Harlan County Fiscal Court

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Harlan County Fiscal Court's compliance with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Harlan County Fiscal Court's major federal programs for the year ended June 30, 2023. The Harlan 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, Harlan 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (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 Harlan 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 Harlan County Fiscal Court's compliance with the compliance requirements referred to above.



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

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 Harlan County Fiscal Court's federal programs.

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 Harlan 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 Harlan 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 Harlan 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 Harlan 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 Harlan 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,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

February 28, 2024

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

For The Year Ended June 30, 2023

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

For The Year Ended June 30, 2023

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 checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are any significant deficiencies identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Are any noncompliances material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" 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>
21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
14.228	Community Development Block Grant
15.252	Abandoned Mine Land

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

**HARLAN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2023
(Continued)**

Section II: Financial Statement Finding

Internal Control - Material Weakness

2023-001 The Harlan County Fiscal Court Does Not Have Sufficient Internal Controls Over Waste Removal Collections

This is a repeat finding and was included in the prior year audit report as finding 2022-001. The Harlan County Fiscal Court has failed to implement controls to ensure compliance with requirements of the Solid Waste Franchise Renewal Agreement. The following controls were not in place for fiscal year 2023:

- The fiscal court does not have written agreements with districts for garbage collection.
- The fiscal court does not receive delinquent lists for all outstanding collections.
- The fiscal court does not receive sufficient documentation of garbage fees collected by all utility districts.

As of June 30, 2023, the fiscal court is aware of at least \$728,776 in accounts receivables for the collection of residential and commercial solid waste throughout Harlan County. Utility districts do not provide monthly collection reports or lists of delinquent residents to the fiscal court. As such, the fiscal court cannot verify the amount of gross residential garbage removal fees collected by the districts or the amount of garbage removal fees remitted to the fiscal court. The lack of delinquent lists prevents the fiscal court from effectively monitoring uncollected revenues. Also, the fiscal court cannot provide a listing of delinquent residential customers to the company with the solid waste franchise.

The Harlan County Fiscal Court collects fees for garbage collections as allowed by KRS 109.056(2) and has chosen to collect these fees under the provisions of KRS 109.056(3). KRS 109.056(3) states the fiscal court “may enter into an agreement with other utilities either public or private to collect such charges.” Good internal controls require these agreements be in writing to provide all parties with the terms of the agreements. These written agreements should also include the supporting documentation to be provided to the fiscal court by third parties for fees collected and delinquent. In addition, the Solid Waste Franchise Renewal Agreement requires the fiscal court provide a company with solid waste franchise with a quarterly list of residential customers with delinquent accounts that are subject to having pickup services terminated.

We recommend the fiscal court enter into written agreements with the utility districts detailing recordkeeping requirements for waste collections, monthly financial reports, and delinquent listings. When procedures are implemented to create a list of delinquent customers, the fiscal court should provide the listing to the county attorney for potential collection efforts and the company with the solid waste franchise for potential termination of services, as necessary.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive’s Response: From January 2015 through June 30, 2023, over \$11 million has been paid to the fiscal court for garbage service. From the reports that we receive from the districts, this places the county at over a 90% collection rate. We realize we can’t truly calculate the collection rate with the information we receive, but we believe this to be in line with other collection services, and consider it to be a good collection rate and a tremendous improvement from several years ago when it was below 50%. The court has worked with the County Attorney and the districts to prepare a written agreement and enter into a contract with all districts for garbage collections. Some districts have signed and returned the agreement, while some have not. The court has also been working with the County’s District Court in resolving delinquent matters and have been successful in the cases that have been presented to date.

HARLAN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2023
(Continued)

Section III: Summary Schedule of Prior Audit Findings

Finding Number	Prior Year Finding Title	Status	Corrective Action
2022-001	The Harlan County Fiscal Court Does Not Have Sufficient Internal Controls Over Waste Removal Collections	Unresolved	See corrective action for current year finding 2023-001

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

HARLAN COUNTY FISCAL COURT

For The Year Ended June 30, 2023

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CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAM

HARLAN COUNTY FISCAL COURT

For The Year Ended June 30, 2023

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



County Judge/Executive



County Treasurer