

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

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



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

Independent Auditor's Report

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Harry Clark, Rowan County Judge/Executive
Members of the Rowan 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 Rowan County Fiscal Court, for the year ended June 30, 2023, and the related notes to the financial statement, which collectively comprise the Rowan 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 Rowan 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 Rowan 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 Rowan 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 Harry Clark, Rowan County Judge/Executive
Members of the Rowan 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 Rowan 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

Rowan 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 Rowan 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 Rowan 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
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Members of the Rowan 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 Rowan 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 5, 2024, on our consideration of the Rowan 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 Rowan 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 Harry Clark, Rowan County Judge/Executive
Members of the Rowan 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 Rowan County Jailer Paid Additional Compensation To Jail Employees For Conducting Classes At The Jail

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

February 5, 2024

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

Harry Clark	County Judge/Executive
Ray White	Magistrate
Darrell Glover	Magistrate
Robert Hamm	Magistrate
Charlie Winkleman	Magistrate

Other Elected Officials:

Cecil Watkins	County Attorney
Wes Coldiron	Jailer
Elwood Caudill, Jr.	County Clerk
Kim Barker-Tabor	Circuit Court Clerk
Matt Sparks	Sheriff
Carmen Swim	Property Valuation Administrator
John P. Northcutt	Coroner

Appointed Personnel:

Lauren Littleton	County Treasurer
Mike Macklin	Occupational Tax Collector

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

For The Year Ended June 30, 2023

ROWAN 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	\$ 9,182,515	\$	\$
In Lieu Tax Payments	166,072	116,475	
Excess Fees	146,710		
Licenses and Permits	467,246		
Intergovernmental	600,915	2,303,328	3,607,235
Charges for Services			175,323
Miscellaneous	293,778	3,778	96,205
Interest	4,544	157	113
Total Receipts	<u>10,861,780</u>	<u>2,423,738</u>	<u>3,878,876</u>
DISBURSEMENTS			
General Government	2,309,225		
Protection to Persons and Property	431,526		3,604,270
General Health and Sanitation	390,983		
Social Services	31,398		
Recreation and Culture	183,346		
Roads		3,020,473	
Airports	53,000		
Bus Services	27,000		
Debt Service	423,717		1,363,606
Capital Projects	350		
Administration	1,901,506	403,168	971,995
Total Disbursements	<u>5,752,051</u>	<u>3,423,641</u>	<u>5,939,871</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>5,109,729</u>	<u>(999,903)</u>	<u>(2,060,995)</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds	145,429	965,000	2,019,950
Transfers To Other Funds	<u>(3,748,193)</u>		
Total Other Adjustments to Cash (Uses)	<u>(3,602,764)</u>	<u>965,000</u>	<u>2,019,950</u>
Net Change in Fund Balance	1,506,965	(34,903)	(41,045)
Fund Balance - Beginning (Restated)	<u>5,470,198</u>	<u>51,682</u>	<u>85,032</u>
Fund Balance - Ending	<u>\$ 6,977,163</u>	<u>\$ 16,779</u>	<u>\$ 43,987</u>
Composition of Fund Balance			
Bank Balance	\$ 7,016,674	\$ 24,363	\$ 46,725
Less: Outstanding Checks	<u>(39,511)</u>	<u>(7,584)</u>	<u>(2,738)</u>
Fund Balance - Ending	<u>\$ 6,977,163</u>	<u>\$ 16,779</u>	<u>\$ 43,987</u>

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

ROWAN 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	State Grants Fund	CDBG Fund	Ambulance Fund	Forest Fire Protection Fund	Opioid Settlement Fund	Special Fund
\$	\$	\$	\$	\$ 1,014	\$	\$
81,184	30,000	880,302	10,000			
			1,774,054			
			4,650		196,111	
38		10	50		63	2,645
<u>81,222</u>	<u>30,000</u>	<u>880,312</u>	<u>1,788,754</u>	<u>1,014</u>	<u>196,174</u>	<u>2,645</u>
		880,624	1,705,490	2,551		61,802
	14,238					472,350
						201,581
46,946						
			775,696			3,600
<u>46,946</u>	<u>14,238</u>	<u>880,624</u>	<u>2,481,186</u>	<u>2,551</u>		<u>1,227</u>
<u>34,276</u>	<u>15,762</u>	<u>(312)</u>	<u>(692,432)</u>	<u>(1,537)</u>	<u>196,174</u>	<u>(737,915)</u>
6,000		120,752	705,000	1,491		
		(120,429)				(95,000)
<u>6,000</u>		<u>323</u>	<u>705,000</u>	<u>1,491</u>		<u>(95,000)</u>
40,276	15,762	11	12,568	(46)	196,174	(832,915)
41,616	70,534		45,372	48		4,359,918
<u>\$ 81,892</u>	<u>\$ 86,296</u>	<u>\$ 11</u>	<u>\$ 57,940</u>	<u>\$ 2</u>	<u>\$ 196,174</u>	<u>\$ 3,527,003</u>
\$ 81,892	\$ 89,796	\$ 11	\$ 75,619	\$ 2	\$ 196,174	\$ 3,527,003
	(3,500)		(17,679)			
<u>\$ 81,892</u>	<u>\$ 86,296</u>	<u>\$ 11</u>	<u>\$ 57,940</u>	<u>\$ 2</u>	<u>\$ 196,174</u>	<u>\$ 3,527,003</u>

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

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

	<u>Budgeted Fund</u>	<u>Unbudgeted Funds</u>	
	<u>Harm Reduction Grant Fund</u>	<u>Alcohol Beverage Control Fund</u>	<u>County Clerk Storage Fees Fund</u>
RECEIPTS			
Taxes	\$	\$	\$
In Lieu Tax Payments			
Excess Fees			
Licenses and Permits		16,391	
Intergovernmental	10,000		
Charges for Services			
Miscellaneous			28,640
Interest		5	9
Total Receipts	<u>10,000</u>	<u>16,396</u>	<u>28,649</u>
DISBURSEMENTS			
General Government		87	
Protection to Persons and Property			
General Health and Sanitation	11,668		
Social Services			
Recreation and Culture			
Roads			
Airports			
Bus Services			
Debt Service			
Capital Projects			
Administration			
Total Disbursements	<u>11,668</u>	<u>87</u>	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,668)</u>	<u>16,309</u>	<u>28,649</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds			
Transfers To Other Funds			
Total Other Adjustments to Cash (Uses)			
Net Change in Fund Balance	(1,668)	16,309	28,649
Fund Balance - Beginning (Restated)	<u>20,843</u>		
Fund Balance - Ending	<u>\$ 19,175</u>	<u>\$ 16,309</u>	<u>\$ 28,649</u>
Composition of Fund Balance			
Bank Balance	\$ 23,375	\$ 16,309	\$ 28,649
Less: Outstanding Checks	<u>(4,200)</u>		
Fund Balance - Ending	<u>\$ 19,175</u>	<u>\$ 16,309</u>	<u>\$ 28,649</u>

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

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

<u>Unbudgeted Funds</u>		
<u>Public Properties Corporation Fund</u>	<u>Jail Commissary Fund</u>	<u>Total Funds</u>
\$	\$	\$ 9,183,529
		282,547
		146,710
		483,637
901,266		8,424,230
		1,949,377
	358,827	981,989
		7,634
<u>901,266</u>	<u>358,827</u>	<u>21,459,653</u>
		2,371,114
		7,096,811
		416,889
		232,979
	309,508	492,854
		3,067,419
		53,000
		27,000
901,266		2,688,589
		3,950
		4,053,592
<u>901,266</u>	<u>309,508</u>	<u>20,504,197</u>
	49,319	955,456
		3,963,622
		(3,963,622)
	49,319	955,456
	71,082	10,216,325
<u>\$ 0</u>	<u>\$ 120,401</u>	<u>\$ 11,171,781</u>
\$	\$ 120,462	\$ 11,247,054
	(61)	(75,273)
<u>\$ 0</u>	<u>\$ 120,401</u>	<u>\$ 11,171,781</u>

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

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENT**

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**ROWAN COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2023

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Basis of Accounting

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

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

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

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

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

ROWAN 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)

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

State Grants Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary source of receipts for this fund are grants from the state.

CDBG 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 federal government.

Ambulance Fund - The primary purpose of this fund is to account for the dispatch expenses of the county. The primary sources of receipts for this fund are ambulance fees and grants from the state and federal governments.

Forest Fire Protection Fund - The primary purpose of this fund is to account for forest tax proceeds and remittance to the state.

Opioid Settlement Fund - The primary purpose of this fund is to account for funds used to combat the county's opioid crisis. Receipts of this fund are received from the state as a result of the state's agreement with major opioid manufacturers and distributors.

Special Fund - The primary purpose of this fund is to account for ARPA grant funds and related disbursements. The primary sources of receipts for this fund are grants from the federal government.

Harm Reduction Grant 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.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Alcohol Beverage Control Fund - The primary purpose of this fund is to account for alcohol beverage licensing and regulation fees and related disbursements. This fund is required to be budgeted by the Department for Local Government; however, was not budgeted by the fiscal court.

County Clerk Storage Fees Fund - The primary purpose of this fund is to account for county clerk storage fees and related disbursements. This fund is required to be budgeted by the Department for Local Government; however, was not budgeted by the fiscal court.

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.

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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information

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

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

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

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

E. Rowan County Elected Officials

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

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

ROWAN 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. Joint Ventures

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based on these criteria, the following are considered joint ventures of the Rowan County Fiscal Court: Morehead Rowan County Industrial Development Authority and Morehead-Rowan County Airport Board.

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.

ROWAN 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	CDBG Fund	Special Fund	Total Transfers In
General Fund	\$	\$ 120,429	\$ 25,000	\$ 145,429
Road Fund	895,000		70,000	965,000
Jail Fund	2,019,950			2,019,950
Local Government Economic Assistance Fund	6,000			6,000
CDBG Fund	120,752			120,752
Ambulance Fund	705,000			705,000
Forest Fire Protection Fund	1,491			1,491
Total Transfers Out	<u>\$ 3,748,193</u>	<u>\$ 120,429</u>	<u>\$ 95,000</u>	<u>\$ 3,963,622</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 fund:

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 \$119,229.

Note 5. Long-term Debt

A. Other Debt

1. First Mortgage Revenue Refunding Bonds, Series 2017 – Judicial Building

On June 14, 2017, Rowan County issued \$3,610,889 of refunding bonds to defease \$3,315,000 of outstanding first mortgage revenue refunding bonds on the judicial building. The agreement has a variable interest rate of 2.00 to 4.25 percent with a maturity date of August 1, 2028. Semi-annual interest payments are due on August 1 and February 1 of each year. Annual principal payments begin August 1, 2020.

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

Note 5. Long-term Debt (Continued)

A. Other Debt (Continued)

1. First Mortgage Revenue Refunding Bonds, Series 2017 – Judicial Building (Continued)

In the event of default, the purchaser may proceed to protect and enforce its rights by the following remedies: (a) by enforcement of the foreclosable mortgage lien on the project and improvements granted by this mortgage, and in such event the purchaser shall take over possession, custody and control of the project and shall operate or carry out a decretal sale of same with due regard to state and federal law and the covenants contained in the lease; provided, however, that no such foreclosure sale shall result in a deficiency judgment of any type of in any amount against the county, the AOC or the issuer, and until such sale the county or the AOC may at any time by the discharge of the bonds and interest thereon receive unencumbered fee simple title to the mortgaged facilities; provided that in the event of any such enforcement of said lien by the purchaser, there and shall first be paid all expenses incident to said enforcement, and thereafter the bonds then outstanding shall be paid and retired; (b) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the purchaser, including the right to require the issuer to enforce fully the lease and to charge, collect and fully account for the rental payments payable thereunder and to require the issuer to carry out any and all other covenants or agreements with the purchaser and to perform its duties under the act; (c) by bringing suit upon the bonds; (d) by action or suit in equity, require the issuer to account as if it were the trustee of any express trust for the owners of the bonds; (e) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the owners of the bonds; (f) by declaring all bonds due and payable, and if all defaults shall be made good, then by annulling such declaration and its consequences; (g) in the event that all bonds are declared due and payable, by selling permitted investments of the issuer (to the extent not theretofore set aside for redemption of bonds for which call has been made), and enforcing all courses in action of the issuer to the fullest legal extent in the name of the issuer. Furthermore, each defaulted bond shall continue to bear interest after maturity at the interest rate applicable to such respective bonds until the necessary funds are made available for payment.

The outstanding principal balance as of June 30, 2023, is \$3,516,803. Future principal and interest payments are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2024	\$ 46,916	\$ 93,971
2025	48,195	92,692
2026	820,612	81,006
2027	844,324	58,613
2028	864,945	35,623
2029	891,811	11,995
Totals	<u>\$ 3,516,803</u>	<u>\$ 373,900</u>

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

Note 5. Long-term Debt (Continued)

A. Other Debt (Continued)

2. First Mortgage Revenue Refunding Bonds, Series 2019 – Judicial Building

On July 30, 2019, Rowan County issued \$3,449,993 of refunding bonds to defease \$3,420,000 of outstanding first mortgage revenue refunding bonds on the judicial building. The agreement has a fixed interest rate of 2.27 percent. The bonds will mature on August 1, 2024. Semi-annual interest payments are due on August 1 and February 1 of each year. Annual principal payments begin August 1, 2020. As a result of this advance refunding, Rowan County obtained a net present value cash flow savings of \$161,678 over the life of the bond of which 10% is the county's portion of the savings.

In the event of a default, the purchaser may proceed to protect and enforce its rights by the following remedies: (a) by enforcement of the foreclosable mortgage lien on the project and improvements granted by this mortgage, and in such event the purchaser shall take over possession, custody and control of the project and shall operate or carry out a decretal sale of same with due regard to state and federal law and the covenants contained in the lease; provided, however, that no such foreclosure sale shall result in a deficiency judgement of any type or in any amount against the county, the AOC or the issuer, and until such sale the county or the AOC may at any time by the discharge of the bonds and interest thereon receive unencumbered fee simple title to the mortgaged facilities; provided that in the event of any such enforcement of said lien by the purchaser, there and shall first be paid all expenses incident to said enforcement, and thereafter the bonds then outstanding shall be paid and retired; (b) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the purchaser, including the right to require the issuer to enforce fully the lease and to charge, collect and fully account for the rental payments payable thereunder and to require the issuer to carry out any and all other covenants or agreements with the purchaser and to perform its duties under the act; (c) by bringing suit upon the bonds; (d) by action or suit in equity, require the issuer to account as if it were the trustee of an express trust for the owners of the bonds; (e) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the owners of the bonds; (f) by declaring all bonds due and payable, and if all defaults shall be made good, then by annulling such declaration and its consequences; (g) in the event that all bonds are declared due and payable, by selling permitted investments of the issuer (to the extent not theretofore set aside for redemption of bonds for which call has been made), and enforcing all courses in action of the issuer to the fullest legal extent in the name of the issuer. Furthermore, each defaulted bond shall continue to bear interest after maturity at the interest rate applicable to such respective bonds until the necessary funds are made available for payment.

The outstanding principal balance as of June 30, 2023, was \$1,479,271. Future principal and interest payments are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2024	\$ 732,211	\$ 25,269
2025	747,060	8,479
Totals	<u>\$ 1,479,271</u>	<u>\$ 33,748</u>

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

Note 5. Long-term Debt (Continued)

A. Other Debt (Continued)

3. General Obligation Refunding Lease, Series 2017 – Administrative Building Refinance

On June 8, 2017, Rowan County issued \$1,470,082 in general obligation refunding lease bonds for the partial refunding of the bonds for the renovation of the administrative building. The agreement has a fixed interest rate of 2.19 percent. The bonds will mature on August 1, 2024. Semi-annual interest payments are due on December 1 and June 1 of each year commencing on December 1, 2017. Annual principal payments begin December 1, 2017. The bonds will be paid in full through the general obligation bond issue as of June 1, 2030.

In the event of default, the bank may, and at the request of any underwriter or any registered or beneficial owner of bonds, shall, or any registered or beneficial owner may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the county to comply with its obligations under this agreement.

The outstanding principal balance as of June 30, 2023, was \$1,104,477. Future principal and interest payments are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2024	\$ 148,563	\$ 22,561
2025	150,652	19,285
2026	152,559	15,965
2027	159,125	12,552
2028	160,339	9,054
2029-2030	333,239	7,305
Totals	\$ 1,104,477	\$ 86,722

4. General Obligation Refunding Bonds, Series 2013 – Old Courthouse Refinance

On April 24, 2013, Rowan County issued \$1,190,000 of general obligation refunding bonds for the refinancing of the old courthouse renovation bonds and old courthouse restoration lease. The agreement has a variable interest rate of 1.0 to 2.65 percent. The bonds will mature on August 1, 2024. The bonds require semiannual interest payments on November 1 and May 1 of each year, beginning November 1, 2013. Annual principal payments commence November 1, 2026.

In the event of default, the bank may and at the request of any underwriter or any registered or beneficial owner of bonds, shall, or any registered or beneficial owner may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the county to comply with its obligations under this agreement due to the fact that there are no debt service reserve funds applicable to the bonds; there are no liquidity providers applicable to the bonds; and there is no properly securing the repayment of the bonds.

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

Note 5. Long-term Debt (Continued)

A. Other Debt (Continued)

4. General Obligation Refunding Bonds, Series 2013 – Old Courthouse Refinance (Continued)

The outstanding principal balance as of June 30, 2023, was \$325,000. Future principal and interest payments are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2024	\$ 120,000	\$ 6,843
2025	120,000	3,843
2026	40,000	1,722
2027	45,000	596
Totals	<u>\$ 325,000</u>	<u>\$ 13,004</u>

5. General Obligation Bonds, Series 2016 – Detention Facility

On June 29, 2016, Rowan County issued general obligation bonds in the amount of \$15,000,000 to finance the construction of the Rowan County Detention Facility and to retire the 2015 bond anticipation notes. This agreement has a variable interest rate of 2.0 to 4.0 percent. The bonds will mature June 1, 2036. The bonds require semiannual interest payments on December 1 and June 1 of each year, beginning December 1, 2016. Annual principal payments commence June 1, 2017.

In the event of a failure of the county to comply with any provision of this agreement, the bank may and, at the request of any underwriter or any registered or beneficial owner of the bonds, shall, or any registered or beneficial owner may, take such actions as may be necessary and appropriate including seeking mandate or specific performance by court order, to cause the county to comply with its obligations under this agreement.

The outstanding principal balance as of June 30, 2023, was \$11,005,000. Future principal and interest payments are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2024	\$ 690,000	\$ 352,806
2025	720,000	325,206
2026	735,000	310,806
2027	765,000	281,406
2028	795,000	250,806
2029-2033	4,345,000	881,725
2034-2036	2,955,000	179,100
Totals	<u>\$ 11,005,000</u>	<u>\$ 2,581,855</u>

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

Note 5. Long-term Debt (Continued)

A. Other Debt (Continued)

6. General Obligation Refunding Bonds, Series 2017 – Detention Facility

On May 18, 2017, Rowan County issued general obligation bonds in the amount of \$4,300,000 to complete the construction of the Rowan County Detention Facility. This agreement has a variable interest rate of 3.0 to 4.0 percent. The bonds will mature on June 1, 2036. The bonds require semiannual interest payments on June 1 and December 1, beginning June 1, 2017. Annual principal payments commence on June 1, 2018.

In the event of a failure of the county to comply with any provision of this agreement, the bank may and, at the request of any underwriter or any registered or beneficial owner of bonds, shall, or any registered or beneficial owner may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the county to comply with its obligations under this agreement.

The outstanding principal balance as of June 30, 2023 was \$3,225,000. Future principal and interest payments are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2024	\$ 200,000	\$ 118,350
2025	205,000	112,350
2026	215,000	106,200
2027	220,000	99,750
2028	225,000	93,150
2029-2033	1,275,000	334,000
2034-2038	<u>885,000</u>	<u>71,600</u>
Totals	<u>\$ 3,225,000</u>	<u>\$ 935,400</u>

7. General Obligation Bonds, Series 2020 – Ambulance Service

On July 29, 2020, Rowan County issued general obligation bonds in the amount of \$2,290,000 to complete the construction of the Rowan County Ambulance Service Building Project. This agreement has a fixed interest rate of 2.0 percent and mature on June 1, 2036. The bonds require semiannual interest payments on December 1 and June 1, beginning December 1, 2020. Annual principal payments commence June 1, 2021.

In the event of a failure of the county to comply with any provision of this agreement, the bank may and, at the request of any underwriter or any registered or beneficial owner of bonds, shall, or any registered or beneficial owner may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the county to comply with its obligations under this agreement.

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

Note 5. Long-term Debt (Continued)

A. Other Debt

7. General Obligation Bonds, Series 2020 – Ambulance Service (Continued)

The outstanding principal balance as of June 30, 2023 was \$2,035,000. Future principal and interest payments are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2024	\$ 90,000	\$ 40,700
2025	95,000	38,900
2026	175,000	37,000
2027	170,000	33,500
2028	225,000	30,100
2029 - 2033	850,000	88,700
2034 - 2036	430,000	17,300
Totals	<u>\$ 2,035,000</u>	<u>\$ 286,200</u>

B. 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
General Obligation Bonds	\$ 18,900,774	\$	\$1,206,297	\$17,694,477	\$ 1,248,563
Revenue Bonds	5,760,388		764,314	4,996,074	779,127
Total Long-term Debt	<u>\$ 24,661,162</u>	<u>\$ 0</u>	<u>\$ 1,970,611</u>	<u>\$22,690,551</u>	<u>\$ 2,027,690</u>

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

Note 5. Long-term Debt (Continued)

C. 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	
	Principal	Interest
2024	\$ 2,027,690	\$ 660,500
2025	2,085,907	600,755
2026	2,138,171	552,699
2027	2,203,449	486,417
2028	2,270,284	418,733
2029-2033	7,695,050	1,323,725
2034-2036	4,270,000	268,000
Totals	<u>\$ 22,690,551</u>	<u>\$ 4,310,829</u>

Note 6. 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 \$1,233,752, FY 2022 was \$1,433,940, and FY 2023 was \$1,652,376.

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.

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

Note 6. Employee Retirement System (Continued)

Nonhazardous (Continued)

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own accounts. Nonhazardous covered employees contribute 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 (4%) percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

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

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

Hazardous

Hazardous covered employees are required to contribute eight percent (8%) of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008, are required to contribute nine(9%) of their salary to be allocated as follows: eight percent (8%) 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. Hazardous members contribute eight percent (8%) of their annual creditable compensation and 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 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 hazardous member's account is credited with a 7.5 percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008, aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

The county's contribution rate for hazardous employees was 49.59 percent.

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

Note 6. Employee Retirement System (Continued)

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.

Hazardous employees whose participation began on or after July 1, 2003, earn 15 dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, the employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Benefits are covered under KRS 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.

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

Note 6. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

C. Health Insurance Coverage - Tier 2 and Tier 3 - Hazardous

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

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

D. 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.

E. Cost of Living Adjustments - Tier 2 and Tier 3

No COLA is given unless authorized by the legislature with specific criteria. To this point, no COLA has been authorized by the legislature for Tier 2 or Tier 3 members.

F. Death Benefit

If a retired member is receiving a monthly benefit based on at least 48 months of service credit, KPPA will pay a \$5,000 death benefit payment to the beneficiary designated by the member specifically for this benefit. Members with multiple accounts are entitled to only one death benefit.

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

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

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

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

Note 7. Deferred Compensation

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

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

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

Note 8. Health Reimbursement Account

The Rowan County Fiscal Court established a health reimbursement account to provide employees an additional health benefit for employees that waive their health insurance coverage. The county has contracted with a third-party administrator to administer the plan. The plan provides a debit card to each eligible employee providing \$2,500 each year to pay for qualified medical expenses.

Note 9. Insurance

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

Note 10. Conduit Debt

From time to time, the county has issued bonds to provide financial assistance to St. Claire Regional Medical Center for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest, in accordance with KRS 103.210. This debt may take the form of certain types of limited-obligation revenue bonds, certificates of participation, or similar debt instruments. Although conduit debt obligations bear the Rowan County Fiscal Court's name as issuer, the fiscal court has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf it is issued. Neither the fiscal court nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statement. As of June 30, 2023, conduit debt has been issued but the amount currently outstanding is not reasonably determinable.

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

Note 11. Tax Abatements

- A. The occupational tax was abated under the authority of the Rowan County Fiscal Court through the Kentucky Business Investment Program. The Rajant Corporation is eligible to receive this tax abatement due to encouraging the development and expansion of the service and technology industry. The taxes are abated by the reduction of occupational tax by one half of one percent for a duration of ten years. Recapture of abated taxes can occur by encouraging the development and expansion of the service and technology industry. Rajant Corporation made the following commitments: minimum full-time jobs, investment, and wage and employee benefits. The Rajant Corporation and Rowan County Fiscal Court updated this agreement after moving locations. The county will be contributing one percent of local occupational tax retroactive to January 1, 2022. For the fiscal year ended June 30, 2023, the amount of abated occupational taxes totaled \$11,479.
- B. The Rowan County Fiscal Court entered into a tax abatement agreement with AppHarvest Inc. to abate occupational taxes. The taxes are abated by the reduction of occupational tax by three quarters of one percent until water and sewer investments are recuperated. For fiscal year ended June 30, 2023, the amount of taxes abated was \$87,856.

Note 12. Prior Period Adjustments

The beginning balance of the general fund was restated and increased by \$1,578 to account for prior year voided outstanding checks. The beginning balance of the jail commissary fund was decreased \$60 to account for a prior year outstanding check.

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

For The Year Ended June 30, 2023

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ROWAN 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	\$ 6,832,000	\$ 7,047,133	\$ 9,182,515	\$ 2,135,382
In Lieu Tax Payments	85,000	85,000	166,072	81,072
Excess Fees	191,127	191,127	146,710	(44,417)
Licenses and Permits	125,000	318,070	467,246	149,176
Intergovernmental	308,640	894,079	600,915	(293,164)
Miscellaneous	40,600	210,407	293,778	83,371
Interest	5,000	5,000	4,544	(456)
Total Receipts	<u>7,587,367</u>	<u>8,750,816</u>	<u>10,861,780</u>	<u>2,110,964</u>
DISBURSEMENTS				
General Government	1,960,327	2,549,779	2,309,225	240,554
Protection to Persons and Property	516,230	521,994	431,526	90,468
General Health and Sanitation	502,850	469,520	390,983	78,537
Social Services	36,500	36,850	31,398	5,452
Recreation and Culture	189,846	193,346	183,346	10,000
Airports	53,000	53,000	53,000	
Bus Services	27,000	27,000	27,000	
Debt Service	424,091	424,091	423,717	374
Capital Projects	2,000	2,000	350	1,650
Administration	2,038,897	2,381,324	1,901,506	479,818
Total Disbursements	<u>5,750,741</u>	<u>6,658,904</u>	<u>5,752,051</u>	<u>906,853</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,836,626</u>	<u>2,091,912</u>	<u>5,109,729</u>	<u>3,017,817</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			145,429	145,429
Transfers To Other Funds	(4,653,001)	(4,653,001)	(3,748,193)	904,808
Total Other Adjustments to Cash (Uses)	<u>(4,653,001)</u>	<u>(4,653,001)</u>	<u>(3,602,764)</u>	<u>1,050,237</u>
Net Change in Fund Balance	(2,816,375)	(2,561,089)	1,506,965	4,068,054
Fund Balance - Beginning (Restated)	<u>2,816,375</u>	<u>3,216,375</u>	<u>5,470,198</u>	<u>2,253,823</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 655,286</u>	<u>\$ 6,977,163</u>	<u>\$ 6,321,877</u>

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

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
In Lieu Tax Payments	\$ 104,000	\$ 104,000	\$ 116,475	\$ 12,475
Intergovernmental	1,371,682	2,303,739	2,303,328	(411)
Miscellaneous	1,000	1,000	3,778	2,778
Interest	500	500	157	(343)
Total Receipts	<u>1,477,182</u>	<u>2,409,239</u>	<u>2,423,738</u>	<u>14,499</u>
DISBURSEMENTS				
Roads	2,021,350	3,352,734	3,020,473	332,261
Administration	496,300	467,977	403,168	64,809
Total Disbursements	<u>2,517,650</u>	<u>3,820,711</u>	<u>3,423,641</u>	<u>397,070</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,040,468)</u>	<u>(1,411,472)</u>	<u>(999,903)</u>	<u>411,569</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,002,468	1,002,468	965,000	(37,468)
Total Other Adjustments to Cash (Uses)	<u>1,002,468</u>	<u>1,002,468</u>	<u>965,000</u>	<u>(37,468)</u>
Net Change in Fund Balance	(38,000)	(409,004)	(34,903)	374,101
Fund Balance - Beginning	<u>38,000</u>	<u>51,682</u>	<u>51,682</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (357,322)</u>	<u>\$ 16,779</u>	<u>\$ 374,101</u>

ROWAN 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	\$ 2,956,350	\$ 2,981,350	\$ 3,607,235	\$ 625,885
Charges for Services	137,000	147,160	175,323	28,163
Miscellaneous	111,000	111,000	96,205	(14,795)
Interest	500	500	113	(387)
Total Receipts	<u>3,204,850</u>	<u>3,240,010</u>	<u>3,878,876</u>	<u>638,866</u>
DISBURSEMENTS				
Protection to Persons and Property	3,367,424	3,787,580	3,604,270	183,310
Debt Service	1,363,607	1,363,607	1,363,606	1
Administration	1,063,000	1,044,536	971,995	72,541
Total Disbursements	<u>5,794,031</u>	<u>6,195,723</u>	<u>5,939,871</u>	<u>255,852</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,589,181)</u>	<u>(2,955,713)</u>	<u>(2,060,995)</u>	<u>894,718</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	2,569,181	2,569,181	2,019,950	(549,231)
Total Other Adjustments to Cash (Uses)	<u>2,569,181</u>	<u>2,569,181</u>	<u>2,019,950</u>	<u>(549,231)</u>
Net Change in Fund Balance	(20,000)	(386,532)	(41,045)	345,487
Fund Balance - Beginning	<u>20,000</u>	<u>85,032</u>	<u>85,032</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (301,500)</u>	<u>\$ 43,987</u>	<u>\$ 345,487</u>

ROWAN 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	\$ 80,000	\$ 80,000	\$ 81,184	\$ 1,184
Interest	100	100	38	(62)
Total Receipts	<u>80,100</u>	<u>80,100</u>	<u>81,222</u>	<u>1,122</u>
DISBURSEMENTS				
Roads	90,100	121,716	46,946	74,770
Total Disbursements	<u>90,100</u>	<u>121,716</u>	<u>46,946</u>	<u>74,770</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(10,000)</u>	<u>(41,616)</u>	<u>34,276</u>	<u>75,892</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			6,000	6,000
Total Other Adjustments to Cash (Uses)			<u>6,000</u>	<u>6,000</u>
Net Change in Fund Balance	(10,000)	(41,616)	40,276	81,892
Fund Balance - Beginning	<u>10,000</u>	<u>41,616</u>	<u>41,616</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 81,892</u>	<u>\$ 81,892</u>

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

	STATE GRANTS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 20,000	\$ 232,500	\$ 30,000	\$ (202,500)
Total Receipts	<u>20,000</u>	<u>232,500</u>	<u>30,000</u>	<u>(202,500)</u>
DISBURSEMENTS				
General Government		212,500		212,500
General Health and Sanitation	50,000	70,000	14,238	55,762
Total Disbursements	<u>50,000</u>	<u>282,500</u>	<u>14,238</u>	<u>268,262</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(30,000)</u>	<u>(50,000)</u>	<u>15,762</u>	<u>65,762</u>
Net Change in Fund Balance	(30,000)	(50,000)	15,762	65,762
Fund Balance - Beginning	<u>30,000</u>	<u>50,000</u>	<u>70,534</u>	<u>20,534</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 86,296</u>	<u>\$ 86,296</u>

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

	CDBG FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$	\$ 1,000,000	\$ 880,302	\$ (119,698)
Interest			10	10
Total Receipts		1,000,000	880,312	(119,688)
DISBURSEMENTS				
Protection to Persons and Property		1,000,000	880,624	119,376
Total Disbursements		1,000,000	880,624	119,376
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			(312)	(312)
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			120,752	120,752
Transfers To Other Funds			(120,429)	(120,429)
Total Other Adjustments to Cash (Uses)			323	323
Net Change in Fund Balance			11	11
Fund Balance - Beginning				
Fund Balance - Ending	\$	0	\$ 11	\$ 11

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

	AMBULANCE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 10,000	\$ 10,000	\$ 10,000	\$
Charges for Services	1,200,000	1,200,000	1,774,054	574,054
Miscellaneous	1,000	1,000	4,650	3,650
Interest	200	200	50	(150)
Total Receipts	<u>1,211,200</u>	<u>1,211,200</u>	<u>1,788,754</u>	<u>577,554</u>
DISBURSEMENTS				
Protection to Persons and Property	1,712,000	1,767,252	1,705,490	61,762
Administration	729,000	785,648	775,696	9,952
Total Disbursements	<u>2,441,000</u>	<u>2,552,900</u>	<u>2,481,186</u>	<u>71,714</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,229,800)</u>	<u>(1,341,700)</u>	<u>(692,432)</u>	<u>649,268</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,079,800	1,079,800	705,000	(374,800)
Total Other Adjustments to Cash (Uses)	<u>1,079,800</u>	<u>1,079,800</u>	<u>705,000</u>	<u>(374,800)</u>
Net Change in Fund Balance	(150,000)	(261,900)	12,568	274,468
Fund Balance - Beginning	<u>150,000</u>	<u>150,000</u>	<u>45,372</u>	<u>(104,628)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (111,900)</u>	<u>\$ 57,940</u>	<u>\$ 169,840</u>

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

FOREST FIRE PROTECTION FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,000	\$ 1,000	\$ 1,014	\$ 14
Total Receipts	<u>1,000</u>	<u>1,000</u>	<u>1,014</u>	<u>14</u>
DISBURSEMENTS				
Protection to Persons and Property	2,552	2,552	2,551	1
Total Disbursements	<u>2,552</u>	<u>2,552</u>	<u>2,551</u>	<u>1</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,552)</u>	<u>(1,552)</u>	<u>(1,537)</u>	<u>15</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,552	1,552	1,491	(61)
Total Other Adjustments to Cash (Uses)	<u>1,552</u>	<u>1,552</u>	<u>1,491</u>	<u>(61)</u>
Net Change in Fund Balance			(46)	(46)
Fund Balance - Beginning			<u>48</u>	<u>48</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2</u>	<u>\$ 2</u>

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

OPIOID SETTLEMENT FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$	\$ 196,111	\$ 196,111	\$
Interest			63	63
Total Receipts		196,111	196,174	63
DISBURSEMENTS				
Administration		196,111		196,111
Total Disbursements		196,111		196,111
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			196,174	196,174
Net Change in Fund Balance			196,174	196,174
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 196,174	\$ 196,174

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

	SPECIAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$	\$	\$ 2,645	\$ 2,645
Total Receipts			2,645	2,645
DISBURSEMENTS				
General Government	55,000	95,293	61,802	33,491
Protection to Persons and Property	376,000	839,483	472,350	367,133
Social Services		201,603	201,581	22
Capital Projects	4,800	4,800	3,600	1,200
Administration	3,936,700	3,115,799	1,227	3,114,572
Total Disbursements	4,372,500	4,256,978	740,560	3,516,418
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(4,372,500)	(4,256,978)	(737,915)	3,519,063
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(95,000)	(95,000)
Total Other Adjustments to Cash (Uses)			(95,000)	(95,000)
Net Change in Fund Balance	(4,372,500)	(4,256,978)	(832,915)	3,424,063
Fund Balance - Beginning	4,372,500	4,372,500	4,359,918	(12,582)
Fund Balance - Ending	\$ 0	\$ 115,522	\$ 3,527,003	\$ 3,411,481

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

HARM REDUCTION GRANT FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 16,000	\$ 16,000	\$ 10,000	\$ (6,000)
Total Receipts	16,000	16,000	10,000	(6,000)
DISBURSEMENTS				
General Health and Sanitation	26,000	36,843	11,668	25,175
Total Disbursements	26,000	36,843	11,668	25,175
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(10,000)	(20,843)	(1,668)	19,175
Net Change in Fund Balance	(10,000)	(20,843)	(1,668)	19,175
Fund Balance - Beginning	10,000	20,843	20,843	
Fund Balance - Ending	\$ 0	\$ 0	\$ 19,175	\$ 19,175

ROWAN COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2023

Note 1. Budgetary Information

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

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

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

**ROWAN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For The Year Ended June 30, 2023

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ROWAN 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 Housing and Urban Development</u>				
<i>Passed-Through Kentucky Department for Local Government</i>				
COVID-19 - Community Development Block Grants/State's Program and Non-Entitlement Grants In Hawaii	14.228	20C-190	\$	\$ 880,301
Total U.S. Department of Housing and Urban Development			\$	\$ 880,301
<u>U. S. Department of the Treasury</u>				
<i>Direct Program</i>				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027		\$	\$ 835,560
Local Assistance and Tribal Consistency Fund	21.032			258,720
Total U.S. Department of the Treasury			\$	\$ 1,094,280
<u>U. S. Department of Homeland Security</u>				
<i>Passed-Through Kentucky Department of Military Affairs</i>				
Emergency Preparedness Performance Grant	97.042	Not Available	\$	\$ 14,038
Total U.S. Department of Homeland Security			\$	\$ 14,038
Total Expenditures of Federal Awards			\$ 0	\$ 1,988,619

The accompanying notes are an integral part of this schedule.

ROWAN 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 Rowan 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 Rowan County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Rowan 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

Rowan 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.

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

For The Year Ended June 30, 2023

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ROWAN COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2023

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 6,926,816	\$ 593,178	\$	\$ 7,519,994
Construction In Progress		880,301		880,301
Buildings	40,684,122			40,684,122
Vehicles	2,785,576	378,087		3,163,663
Machinery and Equipment	3,395,091	18,724		3,413,815
Infrastructure	12,522,695	1,271,713		13,794,408
 Total Capital Assets	 <u>\$ 66,314,300</u>	 <u>\$ 3,142,003</u>	 <u>\$ 0</u>	 <u>\$ 69,456,303</u>

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

June 30, 2023

Note 1. Capital Assets

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

	<u>Capitalization Threshold</u>	<u>Useful Life (Years)</u>
Land Improvements	\$ 12,500	10 - 60
Buildings and Building Improvements	\$ 25,000	10 - 75
Equipment	\$ 2,500	3 - 25
Vehicles	\$ 2,500	3 - 25
Infrastructure	\$ 20,000	10 - 50

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

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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 Harry Clark, Rowan County Judge/Executive
Members of the Rowan 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 Rowan County Fiscal Court for the fiscal year ended June 30, 2023, and the related notes to the financial statement which collectively comprise the Rowan County Fiscal Court's financial statement and have issued our report thereon dated February 5, 2024.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2023-001 that we consider to be a significant deficiency.



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 Rowan County Fiscal Court's financial statement is free from 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 Officials and Planned Corrective Action

Government Auditing Standards requires the auditor to perform limited procedures on Rowan County's response to the finding 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 the response.

Purpose of this Report

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

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

February 5, 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 Harry Clark, Rowan County Judge/Executive
Members of the Rowan County Fiscal Court

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Rowan 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 Rowan County Fiscal Court's major federal programs for the year ended June 30, 2023. The Rowan 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, Rowan 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 Rowan 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 Rowan 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 Rowan 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 Rowan 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 Rowan 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 Rowan 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 Rowan 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 Rowan 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 5, 2024

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

For The Year Ended June 30, 2023

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ROWAN 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 type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are any significant deficiencies identified?	<input checked="" type="checkbox"/> Yes	<input 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>
14.228	COVID-19 - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii
21.027	COVID-19 - Coronavirus State And Local Fiscal Recovery Funds

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

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

Section II: Financial Statement Findings

Internal Control - Significant Deficiency

2023-001 The Rowan County Jailer Paid Additional Compensation To Jail Employees For Conducting Classes At The Jail

This is a repeat finding and was included in the prior year audit report as finding 2022-002. The Rowan County Jailer paid two jail employees additional compensation in the amount of \$21,400 for conducting moral reconnection therapy (MRT) classes at the jail. The employees taught the MRT classes while on the clock as jail employees. This additional compensation was not processed through payroll and was not included on the employees' W-2s. The jailer was unaware that the additional compensation needed to be processed through payroll. As a result, the amounts listed as wages earned on the employees' W-2s are incorrect.

Controls should be put in place to ensure employees' compensation is properly documented. If a different arrangement is agreed upon, a written job description and/or contract should be on file for the employee.

We recommend all compensation for employees be processed through payroll to ensure compensation earned on the W-2s are correct. This matter will be referred to the Department of Revenue.

Views of Responsible Official and Planned Corrective Action:

Jailer's Response: Once we were told that this could not be done this way, compensation was no longer paid that way. A line item was created in the 23-24 budget and all funds are dispersed through the county payroll.

Section III: Federal Award Findings And Questioned Costs

None.

Section IV: Summary Schedule of Prior Audit Findings

Not Applicable.

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

ROWAN COUNTY FISCAL COURT

For The Year Ended June 30, 2023

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CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
ROWAN COUNTY FISCAL COURT

For The Year Ended June 30, 2023

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



County Judge/Executive



County Treasurer