

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

**For The Year Ended
June 30, 2025**

-

**Roy W Hunter, CPA, PLLC
1890 Star Shoot Parkway
Suite 170-147
Lexington, KY 40509**

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To the People of Kentucky
The Honorable Andy G. Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Mack McGehee, Muhlenberg County Judge/Executive
Members of the Muhlenberg County Fiscal Court

Independent Auditor's Report

Opinions

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances – Regulatory Basis of the Muhlenberg County Fiscal Court, for the year ended June 30, 2025, and the related notes to the financial statement, which collectively comprise the Muhlenberg County Fiscal Court's financial statement as listed in the table of contents.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompany financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and changes in fund balances – regulatory basis of the Muhlenberg County Fiscal Court, for the year ended June 30, 2025, 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 Muhlenberg County Fiscal Court, for the year ended June 30, 2025, 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 Muhlenberg 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.

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

As described in Note 1 of the financial statement, the financial statement is prepared by the Muhlenberg 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.

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

Responsibilities of Management for the Financial Statement

Muhlenberg 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 Muhlenberg County Fiscal Court's internal control. Accordingly, no such opinion is expressed.

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Muhlenberg County Fiscal Court's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Muhlenberg 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.

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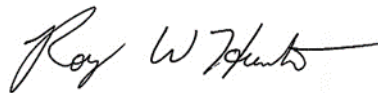
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2026, on our consideration of the Muhlenberg 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 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 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 Muhlenberg County Fiscal Court's internal control over financial reporting and compliance.

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

2025-001 The Muhlenberg County Fiscal Court Lacks Adequate Controls Over Disbursements And Procurement Processes

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Roy W. Hunter", with a stylized flourish at the end.

Roy W. Hunter, CPA PLLC
Lexington, Kentucky

July 14, 2026

MUHLENBERG COUNTY OFFICIALS**For The Year Ended June 30, 2025****Fiscal Court Members:**

Mack McGehee	County Judge/Executive
Darrin Benton	Magistrate
Malcolm West	Magistrate
Jeff Vincent	Magistrate
Keith Phillips	Magistrate
Andrew Bullock	Magistrate

Other Elected Officials:

Ryan Rice	County Attorney
Terry Nunley	Jailer
Crystal Smith	County Clerk
Cameron Laycock	Circuit Court Clerk
William Ward	Sheriff
Belinda McKinney	Property Valuation Administrator
Larry Vincent	Coroner

Appointed Personnel:

Charles Lewis	County Treasurer
Laura Montgomery	Deputy Judge/Executive
Melissa Latham	Finance Officer

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

For The Year Ended June 30, 2025

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

For The Year Ended June 30, 2025

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 2,829,795	\$	\$
In Lieu Tax Payments	3,036,623		
Excess Fees	1,853,693		
Licenses and Permits	112,721		
Intergovernmental	8,830,874	2,061,430	2,298,715
Charges for Services	547,275		1,182
Miscellaneous	1,288,590	777,241	208,930
Interest	91,555		
Total Receipts	<u>18,591,126</u>	<u>2,838,671</u>	<u>2,508,827</u>
DISBURSEMENTS			
General Government	6,879,294		
Protection to Persons and Property	1,084,085		3,244,415
General Health and Sanitation	3,776,233		
Social Services	122,086		
Recreation and Culture	410,048		
Roads		3,043,084	
Debt Service	5,325,124	862,898	
Capital Projects	3,522,439		
Administration	2,263,569	338,000	883,652
Total Disbursements	<u>23,382,878</u>	<u>4,243,982</u>	<u>4,128,067</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(4,791,752)</u>	<u>(1,405,311)</u>	<u>(1,619,240)</u>
Other Adjustments to Cash (Uses)			
Borrowed Money	4,389,283	955,146	
Transfers From Other Funds	2,241,850	320,000	1,420,000
Transfers To Other Funds	(1,740,000)		
Total Other Adjustments to Cash (Uses)	<u>4,891,133</u>	<u>1,275,146</u>	<u>1,420,000</u>
Net Change in Fund Balance	99,381	(130,165)	(199,240)
Fund Balance - Beginning	3,796,122	178,825	250,587
Fund Balance - Ending	<u>\$ 3,895,503</u>	<u>\$ 48,660</u>	<u>\$ 51,347</u>
Composition of Fund Balance			
Bank Balance	\$ 4,001,926	\$ 122,707	\$ 155,248
Plus: Deposits In Transit			
Less: Outstanding Checks	(141,423)	(74,047)	(103,901)
Certificates of Deposits	35,000		
Fund Balance - Ending	<u>\$ 3,895,503</u>	<u>\$ 48,660</u>	<u>\$ 51,347</u>

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

MUHLENBERG COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2025
(Continued)

Budgeted Funds				
Local Government Economic Assistance Fund	Pennyrile Narcotics Fund	Economic Assistance Federal Economic Act Fund	Local Government Economic Development Fund	Tourism Fund
\$	\$	\$	\$	\$ 104,241
373,481	200,884		2,408,147	
137	3		84	24
373,618	200,887		2,408,231	104,265
158,451				
	244,901			77,446
158,451	244,901			77,446
215,167	(44,014)		2,408,231	26,819
			(2,241,850)	
			(2,241,850)	
215,167	(44,014)		166,381	26,819
1,131,544	49,400	6	549,481	226,559
\$ 1,346,711	\$ 5,386	\$ 6	\$ 715,862	\$ 253,378
\$ 1,346,711	\$ 35,850	\$ 6	\$ 715,862	\$ 253,378
	(30,464)			
\$ 1,346,711	\$ 5,386	\$ 6	\$ 715,862	\$ 253,378

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

MUHLENBERG COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2025
(Continued)

	<u>Unbudgeted Funds</u>	
	<u>Jail Commissary Fund</u>	<u>Total Funds</u>
RECEIPTS		
Taxes	\$	\$ 2,934,036
In Lieu Tax Payments		3,036,623
Excess Fees		1,853,693
Licenses and Permits		112,721
Intergovernmental		16,173,531
Charges for Services		548,457
Miscellaneous	501,202	2,775,963
Interest		91,803
Total Receipts	<u>501,202</u>	<u>27,526,827</u>
DISBURSEMENTS		
General Government		6,879,294
Protection to Persons and Property		4,328,500
General Health and Sanitation		3,776,233
Social Services		122,086
Recreation and Culture	437,773	847,821
Roads		3,201,535
Debt Service		6,188,022
Capital Projects		3,522,439
Administration		3,807,568
Total Disbursements	<u>437,773</u>	<u>32,673,498</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>63,429</u>	<u>(5,146,671)</u>
Other Adjustments to Cash (Uses)		
Borrowed Money		5,344,429
Transfers From Other Funds		3,981,850
Transfers To Other Funds		(3,981,850)
Total Other Adjustments to Cash (Uses)		<u>5,344,429</u>
Net Change in Fund Balance	63,429	197,758
Fund Balance - Beginning	<u>104,137</u>	<u>6,286,661</u>
Fund Balance - Ending	<u>\$ 167,566</u>	<u>\$ 6,484,419</u>
Composition of Fund Balance		
Bank Balance	\$ 161,601	\$ 6,793,289
Plus: Deposits In Transit	6,630	6,630
Less: Outstanding Checks	(665)	(350,500)
Certificates of Deposits		35,000
Fund Balance - Ending	<u>\$ 167,566</u>	<u>\$ 6,484,419</u>

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

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TO THE FINANCIAL STATEMENT**

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**MUHLENBERG COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2025

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Muhlenberg County includes all budgeted and unbudgeted funds under the control of the Muhlenberg 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 as 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.

MUHLENBERG COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2025
(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.

Pennyrile Narcotics Fund - The primary purpose of this fund is to account for the activity of a tri-county drug enforcement agency. The primary sources of receipts for this fund are grants from the federal government and contributions from other local governments.

Economic Assistance Federal Economic Fund - The primary purpose of this fund is to account for receipts and disbursements related to the American Rescue Plan Act monies.

Local Government Economic Development Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary source of receipts for this fund is from the state government.

Tourism Fund - The primary purpose of this fund is to account for taxes collected to help promote tourism in the county. The primary source of receipts for this fund is taxes collected from hotel guests. The tax rate during the fiscal year was 4 percent. Of this amount, 3 percent goes to the Muhlenberg County Tourism Commission and 1 percent stays with the fiscal court.

Unbudgeted Funds

The fiscal court reports the following unbudgeted fund:

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. The Department for Local Government does not require the fiscal court to report or budget this fund.

D. Budgetary Information

Annual budgets are adopted 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 and according to the laws of Kentucky as required by the state local finance officer.

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.

MUHLENBERG COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2025
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information (Continued)

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

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.

E. Muhlenberg County Elected Officials

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

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

F. Deposits and Investments

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

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

G. Long-term Obligations

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

MUHLENBERG COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2025
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

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 this criteria, the following are considered joint ventures of the Muhlenberg County Fiscal Court:

Paradise Industrial Park
 Bluegrass Crossing Industrial Park

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 KRS 66.480(1)(d) and KRS 41.240. As of June 30, 2025, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2025.

	General Fund	Local Government Economic Development Fund	Total Transfers In
General Fund	\$	\$ 2,241,850	\$ 2,241,850
Road Fund	320,000		320,000
Jail Fund	1,420,000		1,420,000
Total Transfers Out	<u>\$ 1,740,000</u>	<u>\$ 2,241,850</u>	<u>\$ 3,981,850</u>

Reason for transfers:

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

MUHLENBERG COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2025
(Continued)

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, 2025, was \$4,978.

Note 5. Leases

A. Lessor

1. Southern Wine and Spirits

On October 28, 2021, Muhlenberg County began leasing the Flynn building in Central City, Kentucky to Southern Glazer's Wine and Spirits of Kentucky, LLC. The lease is for one year, with the option to renew for an additional year. The lease was renewed on October 28, 2023. Muhlenberg County recognized \$15,600 in lease revenue during the current fiscal year related to this lease.

2. Farm Lease

On June 1, 2024, Muhlenberg County began leasing farm land to Double S Farms. The lease is for one year, with the option to renew for an additional year. The lease was renewed on June 1, 2025. Muhlenberg County recognized \$8,480 in lease revenue during the current fiscal year related to this lease.

B. Lessee

1. Postage Meter – County Clerk

On December 14, 2020, Muhlenberg County entered into a five-year lease agreement as lessee for the use of a postage meter in the county clerk's office. An initial lease liability was recorded in the amount of \$4,412 during the current fiscal year, which is the annual payment due. As of June 30, 2025, the value of the lease had been satisfied for the current fiscal year. The lease value of the outstanding payments is \$1,381.

Fiscal Year Ending June 30	Amount
2026	\$ 1,381
Totals	\$ 1,381

MUHLENBERG COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2025
(Continued)

Note 5. Leases (Continued)

B. Lessee (Continued)

2. Software Management – County Clerk

On June 1, 2023, Muhlenberg County entered into a five-year lease agreement as lessee for the use of software licenses and computer workstations in the county clerk's office. An initial lease liability was recorded in the amount of \$86,328 during the current fiscal year, which is the annual payment due. As of June 30, 2025, the lease value of the outstanding payments is \$258,984.

Fiscal Year Ending June 30	Amount
2026	\$ 86,328
2027	86,328
2028	<u>86,328</u>
Totals	<u><u>\$ 258,984</u></u>

3. Jail Copier

On September 1, 2021, Muhlenberg County entered into a one-year, annually renewing lease agreement as lessee for the use of a copier in the sheriff's office. The lease was renewed on April 8, 2025 for a four-year lease. An initial lease liability was recorded in the amount of \$597 during the current fiscal year, which is the annual base payment. As of June 30, 2025, the lease value of the outstanding payments due in fiscal year 2025 is \$8,959.

Fiscal Year Ending June 30	Amount
2026	\$ 2,388
2027	2,388
2028	2,388
2029	<u>1,795</u>
Totals	<u><u>\$ 8,959</u></u>

4. Multi-Function Copier and Printer – Sheriff Office

On September 16, 2023, Muhlenberg County entered into a one-year lease agreement as lessee for the use of a multi-function copier and printer in the sheriff's office. The lease was renewed on November 1, 2024 for a three-year lease. An initial lease liability was recorded in the amount of \$1,219 during the current fiscal year, which is the annual payment due. As of June 30, 2025, the lease value of the outstanding payments is \$4,722.

Note 5. Leases (Continued)**B. Lessee (Continued)****4. Multi-Function Copier and Printer – Sheriff Office (Continued)**

Fiscal Year Ending June 30	Amount
2026	\$ 1,828
2027	1,828
2028	<u>1,066</u>
Totals	<u>\$ 4,722</u>

5. Judge's Office Copier

On November 7, 2022, Muhlenberg County entered into a five-year lease agreement as lessee for the use of a copier in the judge's office. An initial lease liability was recorded in the amount of \$2,854 during the current fiscal year, which is the annual base payment. As of June 30, 2025, the lease value of the outstanding payments due in fiscal year 2025 is \$6,660.

Fiscal Year Ending June 30	Amount
2026	\$ 2,856
2027	2,856
2028	<u>948</u>
Totals	<u>\$ 6,660</u>

6. 911 Copier

On June 22, 2022, Muhlenberg County entered into a five-year lease agreement as lessee for the use of a copier in the 911's office. An initial lease liability was recorded in the amount of \$4,627 during the current fiscal year, which is the annual base payment. As of June 30, 2025, the lease value of the outstanding payments due in fiscal year 2025 is \$9,255.

Fiscal Year Ending June 30	Amount
2026	\$ 4,632
2027	<u>4,623</u>
Totals	<u>\$ 9,255</u>

MUHLENBERG COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2025
(Continued)

Note 6. Short-term Debt

A. Direct Borrowings

On September 18, 2024, the Muhlenberg County Fiscal Court obtained up to \$4,525,000 Tax and Revenue Anticipation Note, Series 2025 for an annual interest rate of 4.999%. The purpose of the note was to pay disaster related invoices until Federal Emergency Management Agency (FEMA) reimbursements were received. A total of \$4,389,283 was borrowed. The balance was paid off during the fiscal year 2025.

B. Changes In Short-term Debt

Short-term Debt activity for the year ended June 30, 2025, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Revenue Anticipation Note	\$	\$ 4,398,283	\$ 4,398,283	\$
Total Short-term Debt	\$ 0	\$ 4,398,283	\$ 4,398,283	\$ 0

Note 7. Long-term Debt

A. Direct Borrowings and Direct Placements

1. Trucks - 2024

On January 9, 2024, the Muhlenberg County Fiscal Court entered into an 18-month lease purchase agreement with the Kentucky Association of Counties Leasing Trust Program for the purpose of purchasing four trucks. The principal amount borrowed was \$812,170 with an interest rate of 5.25%. The agreement is secured by the vehicles' purchases. Upon the happening and continuance of any event of default as defined in the agreement, the lease may be terminated, project sold, repossessed, or re-leased, or lease rental payments may be declared due and payable. The balance of the financing obligation was paid off at June 30, 2025.

MUHLENBERG COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2025
(Continued)

Note 7. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

2. Trucks – 2025

On May 1, 2025, the Muhlenberg County Fiscal Court entered into an 18-month lease purchase agreement with the Kentucky Association of Counties Leasing Trust Program for the purpose of purchasing four trucks. The principal amount borrowed was \$955,146 with an interest rate of 5.20%. The agreement is secured by the vehicles' purchases. Upon the happening and continuance of any event of default as defined in the agreement, the lease may be terminated, project sold, repossessed, or re-leased, or lease rental payments may be declared due and payable. The balance of the financing obligation at June 30, 2025 was \$955,146. Annual debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2026	\$ 0	\$ 49,668
2027	955,146	12,417
Totals	<u>\$ 955,146</u>	<u>\$ 62,085</u>

3. KACo Lease – Refinancing of General Obligation Refunding and Improvements Bonds, Series 2011

On October 13, 2020, the fiscal court entered into a financing agreement with Kentucky Association of Counties Finance Corporation in the amount of \$7,245,000 for the purpose of paying the costs associated with the refunding and refinancing of the fiscal court's general obligation refunding and improvement bonds, series 2011 used to renovate the Muhlenberg County Courthouse. The lease will mature on June 30, 2031. Interest is payable each January 15 and July 15. The basic security for the debt of the county including the lease is the county's ability to levy, and is pledged to levy, an annual tax to pay the interest on and principal of the bonds as and when the same become due and payable. The constitution of the state mandates the collection of a tax sufficient to pay the interest of an authorized indebtedness and the creation of a sinking fund for the payment of the principal thereof. As of June 30, 2025, the balance of the financing obligation was \$4,830,000. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2026	\$ 770,000	\$ 103,635
2027	785,000	90,160
2028	795,000	75,638
2029	810,000	60,135
2030	825,000	43,530
2031	845,000	25,792
Totals	<u>\$ 4,830,000</u>	<u>\$ 398,890</u>

MUHLENBERG COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2025
(Continued)

C. Changes in Long-term Debt

Long-term Debt activity for the year ended June 30, 2025, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 6,397,170	\$ 955,146	\$ 1,567,170	\$ 5,785,146	\$ 770,000
Total Long-term Debt	<u>\$ 6,397,170</u>	<u>\$ 955,146</u>	<u>\$ 1,567,170</u>	<u>\$ 5,785,146</u>	<u>\$ 770,000</u>

D. Aggregate Debt Schedule

The amount of required principal and interest payments on long-term obligations at June 30, 2025, were as follows:

Fiscal year June 30,	Direct Borrowings and Direct Placements	
	Principal	Interest
2026	\$ 770,000	\$ 153,303
2027	1,740,146	102,577
2028	795,000	75,638
2029	810,000	60,135
2030	825,000	43,530
2031	845,000	25,792
Totals	<u>\$ 5,785,146</u>	<u>\$ 460,975</u>

MUHLENBERG COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2025
(Continued)

Note 8. Employee Retirements 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. 9-member board of trustees that is responsible for the governance of the CERS pension and insurance plans.

The county's contribution for FY 2023 was \$1,583,123, FY 2024 was \$1,450,088, and FY 2025 was \$1,311,888.

Nonhazardous

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

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

The employer contribution rate is set annually by the KPPA 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 19.71 percent.

MUHLENBERG COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2025
(Continued)

Note 8. Employee Retirements System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (Continued)

CERS provides post-retirement health care coverage as follows:

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

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

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

Benefits are covered under KRS 78.5536.

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

Once members reach a minimum vesting period of 15 years, 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%. 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% 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 2 members are not covered by the same provisions.

C. Cost of Living Adjustments - Tier 1

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of KPPA 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%. 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.

MUHLENBERG COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2025
(Continued)

Note 8. Employee Retirements System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

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

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

E. Death Benefit

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

KPPA Annual Financial Report and Proportionate Share Audit Report

KPPA 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 Pension Authority, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

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

Note 9. Deferred Compensation

The Muhlenberg 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 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

MUHLENBERG COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2025
(Continued)

Note 10. Insurance

For the fiscal year ended June 30, 2025, the Muhlenberg County Fiscal Court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 11. Conduit Debt

From time to time the county has issued bonds and notes to provide financial assistance to various government entities 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 Muhlenberg 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, 2025, conduit debt has been issued but the amount currently outstanding is not reasonably determinable.

Note 12. Jail Technology Grant

As part of their contract with their jail phone contractor, the Muhlenberg County Jail received an initial \$135,000 technology grant with an additional \$35,000 made available each subsequent year of the contract. The jailer sends invoices for jail equipment to be paid directly by the phone contractor. Although these transactions do not pass through the fiscal court's accounts, they are receipts and disbursements of the county. In fiscal year 2025, \$50,265 of these funds were included in the ending cash balance of the jail fund.

Note 13. Assets Held for Resale

Assets held for resale activity for the year ended June 30, 2025 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Vehicles and Equipment	\$ 812,170	\$ 955,146	\$ 812,170	\$ 955,146
Total	<u>\$ 812,170</u>	<u>\$ 955,146</u>	<u>\$ 812,170</u>	<u>\$ 955,146</u>

Note 14. Contingencies

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

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MUHLENBERG COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2025

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MUHLENBERG COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2025

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 2,578,800	\$ 2,578,800	\$ 2,829,795	\$ 250,995
In Lieu Tax Payments	2,800,000	2,800,000	3,036,623	236,623
Excess Fees	1,625,000	1,625,000	1,853,693	228,693
Licenses and Permits	125,000	125,000	112,721	(12,279)
Intergovernmental	6,419,750	12,919,750	8,830,874	(4,088,876)
Charges for Services	450,000	450,000	547,275	97,275
Miscellaneous	1,501,000	1,501,000	1,288,590	(212,410)
Interest	62,400	62,400	91,555	29,155
Total Receipts	15,561,950	22,061,950	18,591,126	(3,470,824)
DISBURSEMENTS				
General Government	5,325,300	7,198,900	6,879,294	319,606
Protection to Persons and Property	1,106,350	1,178,350	1,084,085	94,265
General Health and Sanitation	780,500	4,192,500	3,776,233	416,267
Social Services	190,000	190,000	122,086	67,914
Recreation and Culture	654,250	660,250	410,048	250,202
Debt Service	1,880,340	5,336,340	5,325,124	11,216
Capital Projects	5,675,000	3,522,695	3,522,439	256
Administration	2,727,000	2,559,705	2,263,569	296,136
Total Disbursements	18,338,740	24,838,740	23,382,878	1,455,862
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(2,776,790)	(2,776,790)	(4,791,752)	(2,014,962)
Other Adjustments to Cash (Uses)				
Borrowed Money	1,000,000	1,000,000	4,389,283	3,389,283
Transfers From Other Funds	1,009,000	1,009,000	2,241,850	1,232,850
Transfers To Other Funds	(2,072,970)	(2,072,970)	(1,740,000)	332,970
Total Other Adjustments to Cash (Uses)	(63,970)	(63,970)	4,891,133	4,955,103
Net Change in Fund Balance	(2,840,760)	(2,840,760)	99,381	2,940,141
Fund Balance - Beginning	2,840,760	2,840,760	3,796,122	955,362
Fund Balance - Ending	\$ 0	\$ 0	\$ 3,895,503	\$ 3,895,503

MUHLENBERG COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2025
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 2,399,100	\$ 2,399,100	\$ 2,061,430	\$ (337,670)
Miscellaneous	877,500	877,500	777,241	(100,259)
Total Receipts	3,276,600	3,276,600	2,838,671	(437,929)
DISBURSEMENTS				
Roads	3,339,100	3,334,600	3,043,084	291,516
Debt Service	858,470	862,970	862,898	72
Administration	353,000	353,000	338,000	15,000
Total Disbursements	4,550,570	4,550,570	4,243,982	306,588
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,273,970)	(1,273,970)	(1,405,311)	(131,341)
Other Adjustments to Cash (Uses)				
Borrowed Money	815,000	815,000	955,146	140,146
Transfers From Other Funds	408,970	408,970	320,000	(88,970)
Total Other Adjustments to Cash (Uses)	1,223,970	1,223,970	1,275,146	51,176
Net Change in Fund Balance	(50,000)	(50,000)	(130,165)	(80,165)
Fund Balance - Beginning	50,000	50,000	178,825	128,825
Fund Balance - Ending	\$ 0	\$ 0	\$ 48,660	\$ 48,660

MUHLENBERG COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2025
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 2,498,500	\$ 2,498,500	\$ 2,298,715	\$ (199,785)
Charges for Services	5,000	5,000	1,182	(3,818)
Miscellaneous	211,000	211,000	208,930	(2,070)
Total Receipts	2,714,500	2,714,500	2,508,827	(205,673)
DISBURSEMENTS				
Protection to Persons and Property	3,515,500	3,515,000	3,244,415	270,585
Administration	913,000	913,500	883,652	29,848
Total Disbursements	4,428,500	4,428,500	4,128,067	300,433
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,714,000)	(1,714,000)	(1,619,240)	94,760
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	1,664,000	1,664,000	1,420,000	(244,000)
Total Other Adjustments to Cash (Uses)	1,664,000	1,664,000	1,420,000	(244,000)
Net Change in Fund Balance	(50,000)	(50,000)	(199,240)	(149,240)
Fund Balance - Beginning	50,000	50,000	250,587	200,587
Fund Balance - Ending	\$ 0	\$ 0	\$ 51,347	\$ 51,347

MUHLENBERG COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2025
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 825,000	\$ 825,000	\$ 373,481	\$ (451,519)
Interest	100	100	137	37
Total Receipts	825,100	825,100	373,618	(451,482)
DISBURSEMENTS				
General Government	100,000	100,000		100,000
Roads	1,200,000	1,200,000	158,451	1,041,549
Capital Projects	625,100	625,100		625,100
Total Disbursements	1,925,100	1,925,100	158,451	1,766,649
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,100,000)	(1,100,000)	215,167	1,315,167
Net Change in Fund Balance	(1,100,000)	(1,100,000)	215,167	1,315,167
Fund Balance - Beginning	1,100,000	1,100,000	1,131,544	31,544
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,346,711	\$ 1,346,711

MUHLENBERG COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2025
(Continued)

PENNYRILE NARCOTICS FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 500,000	\$ 500,000	\$ 200,884	\$ (299,116)
Interest	100	100	3	(97)
Total Receipts	500,100	500,100	200,887	(299,213)
DISBURSEMENTS				
Administration	510,100	510,100	244,901	265,199
Total Disbursements	510,100	510,100	244,901	265,199
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(10,000)	(10,000)	(44,014)	(34,014)
Net Change in Fund Balance	(10,000)	(10,000)	(44,014)	(34,014)
Fund Balance - Beginning	10,000	10,000	49,400	39,400
Fund Balance - Ending	\$ 0	\$ 0	\$ 5,386	\$ 5,386

MUHLENBERG COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2025
(Continued)

<u>ECONOMIC ASSISTANCE - FEDERAL ECONOMIC ACT FUND</u>				
	<u>Budgeted Amounts</u>		<u>Actual Amounts, (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Intergovernmental	\$ 1,000,000	\$ 1,000,000	\$ -	\$ (1,000,000)
Total Receipts	<u>1,000,000</u>	<u>1,000,000</u>		<u>(1,000,000)</u>
DISBURSEMENTS				
Capital Projects	<u>1,001,000</u>	<u>1,001,000</u>		<u>1,001,000</u>
Total Disbursements	<u>1,001,000</u>	<u>1,001,000</u>		<u>1,001,000</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,000)</u>	<u>(1,000)</u>		<u>1,000</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	(1,000)	(1,000)		1,000
Fund Balance - Beginning	<u>1,000</u>	<u>1,000</u>	<u>6</u>	<u>(994)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6</u>	<u>\$ 6</u>

MUHLENBERG COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2025
(Continued)

LOCAL GOVERNMENT ECONOMIC DEVELOPMENT FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 1,000,000	\$ 1,000,000	\$ 2,408,147	\$ 1,408,147
Interest			84	84
Total Receipts	1,000,000	1,000,000	2,408,231	1,408,231
DISBURSEMENTS				
Capital Projects	1,000	1,000		1,000
Total Disbursements	1,000	1,000		1,000
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	999,000	999,000	2,408,231	1,409,231
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(1,009,000)	(1,009,000)	(2,241,850)	(1,232,850)
Total Other Adjustments to Cash (Uses)	(1,009,000)	(1,009,000)	(2,241,850)	(1,232,850)
Net Change in Fund Balance	(10,000)	(10,000)	166,381	176,381
Fund Balance - Beginning	10,000	10,000	549,481	539,481
Fund Balance - Ending	\$ 0	\$ 0	\$ 715,862	\$ 715,862

MUHLENBERG COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2025
(Continued)

TOURISM FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 125,000	\$ 125,000	\$ 104,241	\$ (20,759)
Interest			24	24
Total Receipts	125,000	125,000	104,265	(20,735)
DISBURSEMENTS				
Recreation and Culture	265,000	265,000		265,000
Administration	94,000	94,000	77,446	16,554
Total Disbursements	359,000	359,000	77,446	281,554
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(234,000)	(234,000)	26,819	260,819
Net Change in Fund Balance	(234,000)	(234,000)	26,819	260,819
Fund Balance - Beginning	234,000	234,000	226,559	(7,441)
Fund Balance - Ending	\$ 0	\$ 0	\$ 253,378	\$ 253,378

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

June 30, 2025

Note 1. Budgetary Information

Annual budgets are adopted 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 and according to the laws of Kentucky as required by the state local finance officer.

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.

MUHLENBERG COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2025

MUHLENBERG COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2025

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistant Listing Number	Pass-Through Entity's Identifying Number	Provided to Subrecipient	Total Federal Expenditures
<u>U.S. Department of Justice</u>				
<i>Passed-Through Kentucky Justice Cabinet:</i>				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2024-JAG-Pennyrile -01224	\$	\$ 207,760
Total U.S. Department of Justice			<u>\$</u>	<u>\$ 207,760</u>
<u>U. S. Department of Homeland Security</u>				
<i>Passed-Through Kentucky Division of Emergency Management</i>				
Disaster Grants - Public Assistance (Presidentially Declared Disaster)	97.036	DR4804	\$	\$ 4,646,140
Disaster Grants - Public Assistance (Presidentially Declared Disaster)	97.036	DR4864		158,346
Emergency Management Performance Grant	97.042	SC 095 200000513		32,121
Total U.S. Department of Homeland Security			<u>\$</u>	<u>\$ 4,836,607</u>
Total Cash Expenditures of Federal Awards			<u>\$ 0</u>	<u>\$ 5,044,367</u>

The accompanying notes are an integral part of this schedule.

MUHLENBERG COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2025

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Muhlenberg County, Kentucky under programs of the federal government for the year ended June 30, 2025. 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 Muhlenberg County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Muhlenberg 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

Muhlenberg County has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

MUHLENBERG COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2025

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MUHLENBERG COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2025

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 1,975,585	\$	\$	\$ 1,975,585
Land Improvements	202,962			202,962
Buildings and Building Improvements	33,566,452	736,419		34,302,871
Vehicles and Equipment	9,083,626	303,696	30,000	9,357,322
Infrastructure	594,527			594,527
	<u>594,527</u>	<u> </u>	<u> </u>	<u>594,527</u>
 Total Capital Assets	 <u>\$ 45,423,152</u>	 <u>\$ 1,040,115</u>	 <u>\$ 30,000</u>	 <u>\$ 46,433,267</u>

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

June 30, 2025

Note 1. Capital Assets

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

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

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

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The Honorable Mack McGehee, Muhlenberg County Judge/Executive
Members of the Muhlenberg County Fiscal Court

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

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 Muhlenberg County Fiscal Court for the fiscal year ended June 30, 2025, and the related notes to the financial statement which collectively comprise the Muhlenberg County Fiscal Court's financial statement and have issued our report thereon dated July 14, 2026.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Muhlenberg County Fiscal Court's internal control over financial reporting (internal control) to determine the 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 Muhlenberg County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Muhlenberg County Fiscal Court's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2025-001 to be material weakness.

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

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Muhlenberg County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2025-001.

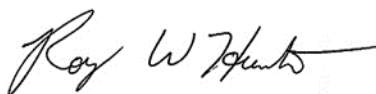
Views of Responsible Official and Planned Corrective Action

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

Purpose of this Report

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Roy W. Hunter", with a stylized flourish at the end.

Roy W. Hunter, CPA PLLC
Lexington, Kentucky

July 14, 2026

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

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The Honorable Mack McGehee, Muhlenberg County Judge/Executive
Members of the Muhlenberg County Fiscal Court

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

Independent Auditor's Report

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Muhlenberg County Fiscal Court's compliance with the types of compliance requirements identified as subject to audit in the *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Muhlenberg County Fiscal Court's major federal programs for the year ended June 30, 2025. The Muhlenberg 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, Muhlenberg 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, 2025.

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

Report on Internal Control over Compliance

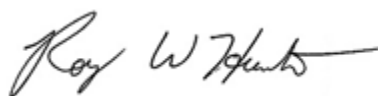
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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.

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

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

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Roy W. Hunter", with a stylized flourish at the end.

Roy W. Hunter, CPA, PLLC
Lexington, Kentucky

July 14, 2026

MUHLENBERG COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2025

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

For The Year Ended June 30, 2025

Section I: Summary of Auditor's Results

Financial Statement

Type of report auditor issued: Adverse on GAAP and Unmodified on Regulatory Basis

Internal control over financial reporting:

Are any material weaknesses identified?	☒ Yes	☐ No
Are any significant deficiencies identified?	☐ Yes	☒ None Reported
Are any noncompliances material to financial statements noted?	☒ Yes	☐ No

Federal Awards

Internal control over major programs:

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

Identification of major program:

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

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	☐ Yes ☒ No

MUHLENBERG COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2025
(Continued)

Section II: Financial Statement Finding

Financial Statement Finding

2025-001 The Muhlenberg County Fiscal Court Lacks Adequate Controls Over Disbursements And Procurement Processes

The finding was noted in the prior year report as finding 2024-001. Most of the prior year's finding was corrected except for the issues noted below.

The Muhlenberg County Fiscal Court lacks adequate controls over disbursements and procurement processes. During testing of disbursements and procurement, we found the following issues:

- Sales tax was paid on four of the eight credit card purchases tested.
- The jail vending contract in the amount of \$321,032 was not properly procured through competitive bidding.
- Additionally, paid invoices were not itemized by the jail vendor noted above.

The above finding is due to a lack of oversight and insufficient internal control procedures and a lack of knowledge about proper procurement procedures.

Due to the lack of controls over the bid process, some a jail vendor contract was not bid as required. Also, invoices paid to this vendor were not itemized by the vendor to ensure that only allowable charges were paid.

Per KRS 139.470(6) and (7) exempt local governments from paying state sales tax on goods and services.

The Muhlenberg County Administration Code section 9.2 (C.), "Any expenditure or contract for materials, supplies (except perishable meat, fish, and vegetables), equipment, or for contractual services other than professional, involving an expenditure of more than Twenty Thousand Dollars (\$40,000) shall be subject to competitive bidding.

We recommend that the Muhlenberg County Fiscal Court strengthen controls over the disbursement process to ensure all disbursements that proper documentation be maintained for all expenditures.

We recommend that Muhlenberg County Fiscal Court should ensure that bidding procedures are followed for all purchases that exceed \$40,000 in accordance with the administrative code. We also recommend that supporting documentation be maintained for the entire bid transaction.

MUHLENBERG COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2025
(Continued)

Section II: Financial Statement Finding (Continued)

Financial Statement Finding (Continued)

2025-001 The Muhlenberg County Fiscal Court Lacks Adequate Controls Over Disbursements And Procurement Processes (Continued)

Views of Responsible Official and Planned Corrective Action:

County Judge's Response: The County Jailer will respond.

County Jailer's Response: We have signed a contract with Western KY Distributions.

Auditor's Response: The contract is not a substitute for competitive bidding.

Section III: Federal Award Findings and Questioned Costs

None noted.

Section IV: Summary Schedule of Prior Audit Findings



MUHLENBERG COUNTY FISCAL COURT

Muhlenberg County Fiscal Court
 100 South Main Street
 P.O. Box 137
 Greenville KY 42345
 Office 270-338-2520
 Fax 270-338-6116
www.muhlenbergcounty.org

Mack McGehee
 JUDGE EXECUTIVE
m.mcgehee@muhlenbergcountyky.org

Laura Montgomery
 DEPUTY JUDGE EXECUTIVE
l.montgomery@muhlenbergcountyky.org

Finding Number	Prior Year Finding Title	Status	Corrective Action
2024-001	The Muhlenberg County Fiscal Court Lacks Adequate Controls Over Disbursements And Procurement Processes	Partially Resolved	See corrective action for current year finding 2025-001.

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAM
MUHLENBERG COUNTY FISCAL COURT**

For The Year Ended June 30, 2025

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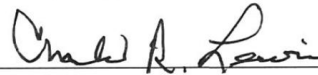
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAM
MUHLENBERG COUNTY FISCAL COURT

For The Year Ended June 30, 2025

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



County Judge/Executive



County Treasurer
