

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

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



**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 Sarah Steele, Mercer County Judge/Executive
Members of the Mercer 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 Mercer County Fiscal Court, for the year ended June 30, 2025, and the related notes to the financial statement, which collectively comprise the Mercer 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 Mercer 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 Mercer 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 the Mercer 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
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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 Mercer 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

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

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

Auditor's Responsibilities for the Audit of the Financial Statement

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

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 Mercer 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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Mercer 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 Mercer County Fiscal Court. The Budgetary Comparison Schedules are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

The accompanying Budgetary Comparison Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedules 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 December 23, 2025, on our consideration of the Mercer 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 Mercer County Fiscal Court's internal control over financial reporting and compliance.

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

December 23, 2025

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

Sarah Gray Steele	County Judge/Executive
Stephen "Pete" Elliott	Magistrate
Tim Darland	Magistrate
Jackie Claycomb	Former Magistrate - July 1, 2024 to January 31, 2025
Julie Popplewell	Magistrate - February 25, 2025 - Present
Susan Thompson Barrington	Magistrate
Kevin Hicks	Magistrate
Dennis Holiday	Magistrate

Other Elected Officials:

Ted Dean	County Attorney
Bret Chamberlain	Jailer
Chris Horn	County Clerk
Allison Buchanan	Former Circuit Court Clerk - July 1, 2024 - December 31, 2024
Kristin Fletcher	Circuit Court Clerk - January 1, 2025 o Present
Ernie Kelty	Sheriff
Jessica Elliott	Property Valuation Administrator
Sonny Ransdell	Coroner

Appointed Personnel:

Christy Wheeler	County Treasurer
Todd Pamler	Road Supervisor

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

For The Year Ended June 30, 2025

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

For The Year Ended June 30, 2025

	<u>Budgeted Funds</u>		
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
RECEIPTS			
Taxes	\$ 2,825,870	\$	\$
Excess Fees	187,662		
Licenses and Permits	1,000		
Intergovernmental	450,261	1,579,491	213,702
Charges for Services	122,817		
Miscellaneous	154,438	302,398	
Interest	267,302	24,537	41,351
Total Receipts	<u>4,009,350</u>	<u>1,906,426</u>	<u>255,053</u>
DISBURSEMENTS			
General Government	1,343,518	16,532	
Protection to Persons and Property	1,065,425	889	1,058,811
General Health and Sanitation	171,873	567	
Social Services	48,444		
Recreation and Culture	268,113		
Transportation Facility and Services		305	
Roads		1,497,261	
Other Transportation Facilities and Services		650	
Debt Service			
Capital Projects		303,160	
Administration	1,368,660	813,960	
Total Disbursements	<u>4,266,033</u>	<u>2,633,324</u>	<u>1,058,811</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(256,683)</u>	<u>(726,898)</u>	<u>(803,758)</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds		261,200	1,000,000
Transfers To Other Funds	(261,200)		
Total Other Adjustments to Cash (Uses)	<u>(261,200)</u>	<u>261,200</u>	<u>1,000,000</u>
Net Change in Fund Balance	(517,883)	(465,698)	196,242
Fund Balance - Beginning (Restated)	7,149,114	994,550	803,683
Fund Balance - Ending	<u>\$ 6,631,231</u>	<u>\$ 528,852</u>	<u>\$ 999,925</u>
Composition of Fund Balance			
Bank Balance	\$ 6,494,149	\$ 477,757	\$ 564,570
Less: Outstanding Checks	(12,918)	(58,905)	(3,144)
Certificates of Deposit	150,000	110,000	438,499
Fund Balance - Ending	<u>\$ 6,631,231</u>	<u>\$ 528,852</u>	<u>\$ 999,925</u>

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

MERCER 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	Solid Waste Fund	Landfill Fund	Payroll & Net Profit Fund	County Clerk Fund	Industrial - Wilkinson Farms Mega Site Fund	Opioid Abatement Fund
\$	\$	\$	\$ 4,250,621	\$	\$	\$
82,921	79,625	72,867			11,500,000	
	14,115	538,249				
12,369		43,421	24,369	44,940		81,767
275	62	1,298	346,085	163	178,777	432
<u>95,565</u>	<u>93,802</u>	<u>655,835</u>	<u>4,621,075</u>	<u>45,103</u>	<u>11,678,777</u>	<u>82,199</u>
115,543			58,907	3,200		
	72,846	1,401,440				148
						7,210
		49,769			16,348	
<u>115,543</u>	<u>72,846</u>	<u>1,451,209</u>	<u>58,907</u>	<u>3,200</u>	<u>16,348</u>	<u>7,358</u>
(19,978)	20,956	(795,374)	4,562,168	41,903	11,662,429	74,841
	50,000		(1,050,000)			
	<u>50,000</u>		<u>(1,050,000)</u>			
(19,978)	70,956	(795,374)	3,512,168	41,903	11,662,429	74,841
402,608	35,841	1,370,477	7,218,639	85,410		236,347
<u>\$ 382,630</u>	<u>\$ 106,797</u>	<u>\$ 575,103</u>	<u>\$ 10,730,807</u>	<u>\$ 127,313</u>	<u>\$ 11,662,429</u>	<u>\$ 311,188</u>
\$ 382,630	\$ 107,425	\$ 575,550	\$ 10,063,246	\$ 127,313	\$ 11,662,429	\$ 311,261
	(628)	(447)	(65)			(73)
			667,626			
<u>\$ 382,630</u>	<u>\$ 106,797</u>	<u>\$ 575,103</u>	<u>\$ 10,730,807</u>	<u>\$ 127,313</u>	<u>\$ 11,662,429</u>	<u>\$ 311,188</u>

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

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

	<u>Unbudgeted Fund</u>	
	<u>Public Properties Corporation Fund</u>	<u>Total Funds</u>
RECEIPTS		
Taxes	\$	\$ 7,076,491
Excess Fees		187,662
Licenses and Permits		1,000
Intergovernmental	905,050	14,883,917
Charges for Services		675,181
Miscellaneous		663,702
Interest	1,575	861,857
Total Receipts	<u>906,625</u>	<u>24,349,810</u>
DISBURSEMENTS		
General Government		1,537,700
Protection to Persons and Property		2,125,125
General Health and Sanitation		1,646,874
Social Services		55,654
Recreation and Culture		268,113
Transportation Facility and Services		305
Roads		1,497,261
Other Transportation Facilities and Services		650
Debt Service	903,950	903,950
Capital Projects		369,277
Administration	1,101	2,183,721
Total Disbursements	<u>905,051</u>	<u>10,588,630</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,574</u>	<u>13,761,180</u>
Other Adjustments to Cash (Uses)		
Transfers From Other Funds		1,311,200
Transfers To Other Funds		<u>(1,311,200)</u>
Total Other Adjustments to Cash (Uses)		<u> </u>
Net Change in Fund Balance	1,574	13,761,180
Fund Balance - Beginning (Restated)	6,908	18,303,577
Fund Balance - Ending	<u>\$ 8,482</u>	<u>\$ 32,064,757</u>
Composition of Fund Balance		
Bank Balance	\$ 8,482	\$ 30,774,812
Less: Outstanding Checks		(76,180)
Certificates of Deposit		<u>1,366,125</u>
Fund Balance - Ending	<u>\$ 8,482</u>	<u>\$ 32,064,757</u>

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

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TO THE FINANCIAL STATEMENT**

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**MERCER COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2025

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

MERCER 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.

Solid Waste Fund - The primary purpose of this fund is to account for grants and solid waste pickup and related disbursements. The primary sources of receipts for this fund are grants and residents of Mercer County.

Landfill Fund - This fund includes post-closure maintenance and monitoring costs of the landfill. This fund also includes activities related to the collection and disposal of garbage and recycling materials from residents of Mercer County.

Payroll and Net Profit Fund - The primary purpose of this fund is for collection of local payroll taxes and net profit tax, which is the primary revenue source. These funds are used to support the operation of county government.

County Clerk Fund - The primary purpose of this fund is for collection of fees from customers, which is the primary revenue source. These funds are used to support the cost associated with permanent storage of records.

Industrial - Wilkinson Farms Mega Site Fund - The primary purpose of this fund is to account for the HB1 state grant funds received and expended.

Opioid Abatement Fund - The primary purpose of this fund is to account for opioid settlements funds received and expended.

Unbudgeted Fund

The fiscal court reports the following unbudgeted fund:

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

MERCER 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 Public Properties Corporation Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

E. Mercer County Elected Officials

Kentucky law provides for election of the officials listed below from the geographic area constituting Mercer 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 Mercer 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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

H. Related Organizations and Joint Ventures

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of the Mercer County Fiscal Court:

Anderson Dean Community Park
 Mercer County Industrial Development
 Mercer County Sanitation District
 Mercer County Planning and Zoning Commission

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's) *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 DLG's *County Budget Preparation and State Local Finance Officer Policy Manual*. 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	Payroll & Net Profit Fund	Total Transfers In
Road Fund	\$ 261,200	\$	\$ 261,200
Jail Fund		1,000,000	1,000,000
Solid Waste Fund		50,000	50,000
Total Transfers Out	<u>\$ 261,200</u>	<u>\$ 1,050,000</u>	<u>\$ 1,311,200</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.

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

Note 4. Commitments – Leases

Leases – Lessee

The Mercer County Fiscal Court was committed to the following lease agreements as lessee as of June 30, 2025:

<u>Description</u>	<u>Effective Date</u>	<u>Length of Term</u>	<u>Frequency of Payments</u>	<u>Ending Date</u>	<u>Amount of Payments</u>	<u>Balance June 30, 2025</u>
Copier	10/14/2023	5 years	Monthly	10/13/2028	\$ 130	\$ 5,079
Copier	2/29/2024	4 years	Monthly	2/28/2028	\$ 83	\$ 2,663
AED's	4/9/2024	3 years	Monthly	4/8/2027	\$ 392	\$ 9,005

Note 5. Long-term Debt

A. Other Debt

1. Administrative Office of the Courts (AOC)

On March 8, 2016, the Mercer County Public Properties Corporation issued \$6,170,000 of first mortgage refunding revenue bonds. Proceeds from the bonds will be used for the purpose of (i) the advance refunding of all or certain maturities of the \$12,385,000 Mercer County, Kentucky Public Properties Corporation First Mortgage Revenue Bonds (Judicial Center Project), Series 2009, dated August 1, 2009; (ii) the payment of accrued interest, if any; and (iii) the payment of the cost of issuance incurred with respect to the issuance of the bonds. Principal payments are due annually on August 1 beginning August 1, 2021. Interest payments, which varies from 3% to 4%, is payable semi-annually on February 1 and August 1. The outstanding principal balance as of June 30, 2025, is \$3,405,000. Future principal and interest requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2026	\$ 800,000	\$ 102,550
2027	840,000	69,750
2028	870,000	39,900
2029	895,000	13,425
Totals	<u>\$ 3,405,000</u>	<u>\$ 225,625</u>

B. Changes In Long-term Debt

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue Bonds	\$ 4,175,000	\$	\$ 770,000	\$ 3,405,000	\$ 800,000
Total Long-term Debt	<u>\$ 4,175,000</u>	<u>\$ 0</u>	<u>\$ 770,000</u>	<u>\$ 3,405,000</u>	<u>\$ 800,000</u>

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

Note 5. Long-term Debt (Continued)

C. Aggregate Debt Schedule

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

Fiscal Year Ended June 30	Other Debt	
	Principal	Interest
2026	\$ 800,000	\$ 102,550
2027	840,000	69,750
2028	870,000	39,900
2029	895,000	13,425
Totals	<u>\$ 3,405,000</u>	<u>\$ 225,625</u>

Note 6. Commitments

A. Interlocal Cooperative Agreement

Mercer County has entered into an interlocal cooperation agreement with Boyle County to share in the cost of a regional jail facility. Boyle County owns the facility. Mercer County agreed to pay a percentage, not below 35 percent and not to exceed 50 percent, of the yearly costs in exchange for the use of the facility for Mercer County prisoners. Debt service for the jail is allocated when the annual operation budget is determined.

B. Solid Waste Landfill

The Mercer County Fiscal Court operated a landfill, which ceased operations on June 30, 1992. The county initiated closure operations in April 1991. Closure costs were estimated to be \$52,700 and the county completed the steps necessary to close the landfill. The county believes that it has met all federal, state, and local laws and regulations in regard to the closure of the landfill. Post-closure care consists primarily of groundwater monitoring and landscape maintenance. The county is required to file reports with the appropriate regulatory agencies regarding the findings and groundwater monitoring activities. Post-closure costs are included in the landfill fund. Mercer County expended \$2,718 for post-closure costs for fiscal year ended June 30, 2025. Future costs are estimated to be the same as what was expended this fiscal year and have been budgeted in the landfill fund. Inflation, deflation, technology, or applicable laws and regulations could affect these costs.

Note 7. Employee Retirement System

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS). 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 Kentucky Retirement Systems (Ky. Ret. Sys.). The CERS nine member board of trustees is responsible for the governance of the CERS pension and insurance plans.

The county's contribution for FY 2023 was \$592,440, FY 2024 was \$556,610, and FY 2025 was \$513,506.

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

Note 7. Employee Retirement System (Continued)

Nonhazardous

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

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own accounts. Nonhazardous covered employees contribute 5% of their annual creditable compensation. Nonhazardous members also contribute 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 CERS Board of Trustees 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% 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%.

Hazardous

Hazardous covered employees are required to contribute 8% of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 9% of their salary to be allocated as follows: 8% will go to the member's account and 1% will be allocated to CERS's share of assets in the Ky. Ret. Sys. Insurance Trust 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 8% of their annual creditable compensation and also contribute 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 Trustees 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% employer pay credit. The employer pay credit represents a portion of the employer contribution.

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

Note 7. Employee Retirement System (Continued)

Hazardous (Continued)

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 38.61%.

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 \$10 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 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 \$10 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 \$10 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.

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

Note 7. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

B. Health Insurance Coverage - Tier 2 and Tier 3 – Nonhazardous (Continued)

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 3 members are not covered by the same provisions.

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

Once members reach a minimum vesting period of 15 years, they earn \$15 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%. Upon the death of a hazardous employee, the employee's spouse receives \$10 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% 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%. 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. 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 Pensions Authority, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646. Some reports may also be obtained online at <https://kyret.ky.gov>.

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

Note 7. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

G. Annual Financial Report and Proportionate Share Audit Report (Continued)

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

Note 8. Deferred Compensation

The Mercer 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 9. Insurance

For the fiscal year ended June 30, 2025, the Mercer 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 industries in Mercer County 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 Mercer 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.

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

Note 11. Tax Abatement

The occupational tax license fee was abated under the authority of the Kentucky Business Investment (KBI). Hitachi Automotive Systems Americas, Inc. (the company) is eligible to receive this tax abatement as a result of its commitment to create certain jobs and investments in Harrodsburg, Kentucky. The taxes are abated by allowing the company to retain or have rebated to them 0.33 % of subject wages and compensation earned in Mercer County, Kentucky in accordance with Mercer County Occupational License Fee ordinance for ten years from approval of the project by KBI. Abatement of taxes can be suspended if the company does not maintain the required baseline of 626 employees and at least 10 employees associated with the new Kentucky Business Investment Program Project. For the fiscal year ended June 30, 2025, Mercer County Fiscal Court abated occupational taxes totaling \$17,445.

Note 12. Prior Period Adjustments

	<u>General Fund</u>	<u>Landfill Fund</u>	<u>Total Prior Year</u>
Fund Balance - Beginning	\$ 7,149,089	\$ 1,370,403	\$ 18,303,478
Prior Year Outstanding Voided Checks	<u>25</u>	<u>74</u>	<u>99</u>
Fund Balance - Beginning (Restated)	<u>\$ 7,149,114</u>	<u>\$ 1,370,477</u>	<u>\$ 18,303,577</u>

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

For The Year Ended June 30, 2025

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MERCER 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	\$ 2,639,500	\$ 2,639,500	\$ 2,825,870	\$ 186,370
Excess Fees	78,618	191,266	187,662	(3,604)
Licenses and Permits			1,000	1,000
Intergovernmental	3,419,255	3,426,521	450,261	(2,976,260)
Charges for Services	220,000	220,000	122,817	(97,183)
Miscellaneous	51,100	94,993	154,438	59,445
Interest	105,000	105,000	267,302	162,302
Total Receipts	<u>6,513,473</u>	<u>6,677,280</u>	<u>4,009,350</u>	<u>(2,667,930)</u>
DISBURSEMENTS				
General Government	1,406,262	1,585,684	1,343,518	242,166
Protection to Persons and Property	943,300	1,086,810	1,065,425	21,385
General Health and Sanitation	197,400	207,705	171,873	35,832
Social Services	76,650	77,850	48,444	29,406
Recreation and Culture	256,050	289,243	268,113	21,130
Debt Service	752,000	752,000		752,000
Capital Projects	5,531,455	5,509,355		5,509,355
Administration	4,772,921	5,050,433	1,368,660	3,681,773
Total Disbursements	<u>13,936,038</u>	<u>14,559,080</u>	<u>4,266,033</u>	<u>10,293,047</u>
Excess (Deficiency) of Receipts Over Adjustments to Cash (Uses)	<u>(7,422,565)</u>	<u>(7,881,800)</u>	<u>(256,683)</u>	<u>7,625,117</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,224,750	1,224,750		(1,224,750)
Transfers To Other Funds	(492,040)	(492,040)	(261,200)	230,840
Total Other Adjustments to Cash (Uses)	<u>732,710</u>	<u>732,710</u>	<u>(261,200)</u>	<u>(993,910)</u>
Net Change in Fund Balance	(6,689,855)	(7,149,090)	(517,883)	6,631,207
Fund Balance - Beginning (Restated)	6,689,855	7,149,090	7,149,114	24
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,631,231</u>	<u>\$ 6,631,231</u>

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

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 1,816,908	\$ 1,847,153	\$ 1,579,491	\$ (267,662)
Miscellaneous	163,917	321,586	302,398	(19,188)
Interest	15,500	15,500	24,537	9,037
Total Receipts	<u>1,996,325</u>	<u>2,184,239</u>	<u>1,906,426</u>	<u>(277,813)</u>
DISBURSEMENTS				
General Government	17,750	17,766	16,532	1,234
Protection to Persons and Property	2,000	2,000	889	1,111
General Health and Sanitation	30,000	30,245	567	29,678
Transportation Facilities and Services	5,000	4,830	305	4,525
Roads	2,032,819	2,100,759	1,497,261	603,498
Other Transportation Facilities and Services	750	750	650	100
Capital Projects	286,365	432,995	303,160	129,835
Administration	1,033,681	1,081,484	813,960	267,524
Total Disbursements	<u>3,408,365</u>	<u>3,670,829</u>	<u>2,633,324</u>	<u>1,037,505</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,412,040)</u>	<u>(1,486,590)</u>	<u>(726,898)</u>	<u>759,692</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	492,040	492,040	261,200	(230,840)
Total Other Adjustments to Cash (Uses)	<u>492,040</u>	<u>492,040</u>	<u>261,200</u>	<u>(230,840)</u>
Net Change in Fund Balance	(920,000)	(994,550)	(465,698)	528,852
Fund Balance - Beginning	920,000	994,550	994,550	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 528,852</u>	<u>\$ 528,852</u>

MERCER 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	\$ 232,850	\$ 232,850	\$ 213,702	\$ (19,148)
Miscellaneous	100	100		(100)
Interest	19,500	19,500	41,351	21,851
Total Receipts	<u>252,450</u>	<u>252,450</u>	<u>255,053</u>	<u>2,603</u>
DISBURSEMENTS				
Protection to Persons and Property	1,300,525	1,307,933	1,058,811	249,122
Administration	821,910	876,575		876,575
Total Disbursements	<u>2,122,435</u>	<u>2,184,508</u>	<u>1,058,811</u>	<u>1,125,697</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,869,985)</u>	<u>(1,932,058)</u>	<u>(803,758)</u>	<u>1,128,300</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,128,375	1,128,375	1,000,000	(128,375)
Total Other Adjustments to Cash (Uses)	<u>1,128,375</u>	<u>1,128,375</u>	<u>1,000,000</u>	<u>(128,375)</u>
Net Change in Fund Balance	(741,610)	(803,683)	196,242	999,925
Fund Balance - Beginning	<u>741,610</u>	<u>803,683</u>	<u>803,683</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 999,925</u>	<u>\$ 999,925</u>

MERCER 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	\$ 75,000	\$ 75,000	\$ 82,921	\$ 7,921
Miscellaneous			12,369	12,369
Interest	200	200	275	75
Total Receipts	<u>75,200</u>	<u>75,200</u>	<u>95,565</u>	<u>20,365</u>
DISBURSEMENTS				
General Government	108,000	116,906	115,543	1,363
Administration	<u>365,200</u>	<u>360,901</u>		<u>360,901</u>
Total Disbursements	<u>473,200</u>	<u>477,807</u>	<u>115,543</u>	<u>362,264</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(398,000)</u>	<u>(402,607)</u>	<u>(19,978)</u>	<u>382,629</u>
Net Change in Fund Balance	(398,000)	(402,607)	(19,978)	382,629
Fund Balance - Beginning	<u>398,000</u>	<u>402,607</u>	<u>402,608</u>	<u>1</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 382,630</u>	<u>\$ 382,630</u>

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

	SOLID WASTE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 22,125	\$ 22,125	\$ 79,625	\$ 57,500
Charges for Services	15,000	15,000	14,115	(885)
Miscellaneous	1,200	1,200		(1,200)
Interest	100	100	62	(38)
Total Receipts	<u>38,425</u>	<u>38,425</u>	<u>93,802</u>	<u>55,377</u>
DISBURSEMENTS				
General Health and Sanitation	108,900	111,300	72,846	38,454
Administration	20,450	33,891		33,891
Total Disbursements	<u>129,350</u>	<u>145,191</u>	<u>72,846</u>	<u>72,345</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(90,925)</u>	<u>(106,766)</u>	<u>20,956</u>	<u>127,722</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	70,925	70,925	50,000	(20,925)
Total Other Adjustments to Cash (Uses)	<u>70,925</u>	<u>70,925</u>	<u>50,000</u>	<u>(20,925)</u>
Net Change in Fund Balance	(20,000)	(35,841)	70,956	106,797
Fund Balance - Beginning	<u>20,000</u>	<u>35,841</u>	<u>35,841</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 106,797</u>	<u>\$ 106,797</u>

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

	LANDFILL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 997,913	\$ 249,725	\$ 72,867	\$ (176,858)
Charges for Services	558,000	558,000	538,249	(19,751)
Miscellaneous	57,250	57,250	43,421	(13,829)
Interest	200	200	1,298	1,098
Total Receipts	<u>1,613,363</u>	<u>865,175</u>	<u>655,835</u>	<u>(209,340)</u>
DISBURSEMENTS				
General Health and Sanitation	1,605,263	1,650,095	1,401,440	248,655
Capital Projects	71,500	71,500	49,769	21,731
Administration	456,600	513,983		513,983
Total Disbursements	<u>2,133,363</u>	<u>2,235,578</u>	<u>1,451,209</u>	<u>784,369</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(520,000)</u>	<u>(1,370,403)</u>	<u>(795,374)</u>	<u>575,029</u>
Net Change in Fund Balance	(520,000)	(1,370,403)	(795,374)	575,029
Fund Balance - Beginning (Restated)	<u>520,000</u>	<u>1,370,403</u>	<u>1,370,477</u>	<u>74</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 575,103</u>	<u>\$ 575,103</u>

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

	PAYROLL & NET PROFIT FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 3,200,000	\$ 3,200,000	\$ 4,250,621	\$ 1,050,621
Miscellaneous	15,100	15,100	24,369	9,269
Interest	115,000	115,000	346,085	231,085
Total Receipts	<u>3,330,100</u>	<u>3,330,100</u>	<u>4,621,075</u>	<u>1,290,975</u>
DISBURSEMENTS				
General Government	74,650	74,650	58,907	15,743
Administration	<u>7,399,026</u>	<u>8,050,039</u>	<u>58,907</u>	<u>8,050,039</u>
Total Disbursements	<u>7,473,676</u>	<u>8,124,689</u>	<u>58,907</u>	<u>8,065,782</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(4,143,576)</u>	<u>(4,794,589)</u>	<u>4,562,168</u>	<u>9,356,757</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(2,424,050)</u>	<u>(2,424,050)</u>	<u>(1,050,000)</u>	<u>1,374,050</u>
Total Other Adjustments to Cash (Uses)	<u>(2,424,050)</u>	<u>(2,424,050)</u>	<u>(1,050,000)</u>	<u>1,374,050</u>
Net Change in Fund Balance	(6,567,626)	(7,218,639)	3,512,168	10,730,807
Fund Balance - Beginning	<u>6,567,626</u>	<u>7,218,639</u>	<u>7,218,639</u>	<u>7,218,639</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 10,730,807</u>	<u>\$ 10,730,807</u>

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

	COUNTY CLERK FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 50,000	\$ 50,000	\$ 44,940	\$ (5,060)
Interest	100	100	163	63
Total Receipts	<u>50,100</u>	<u>50,100</u>	<u>45,103</u>	<u>(4,997)</u>
DISBURSEMENTS				
General Government	50,000	50,000	3,200	46,800
Administration	79,100	85,510		85,510
Total Disbursements	<u>129,100</u>	<u>135,510</u>	<u>3,200</u>	<u>132,310</u>
Excess (Deficiency) of Receipts Over Adjustments to Cash (Uses)	<u>(79,000)</u>	<u>(85,410)</u>	<u>41,903</u>	<u>127,313</u>
Net Change in Fund Balance	(79,000)	(85,410)	41,903	127,313
Fund Balance - Beginning	<u>79,000</u>	<u>85,410</u>	<u>85,410</u>	<u></u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 127,313</u>	<u>\$ 127,313</u>

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

INDUSTRIAL - WILKINSON FARMS MEGA SITE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 11,500,000	\$ 11,500,000	\$ 11,500,000	\$
Interest	100	100	178,777	178,677
Total Receipts	<u>11,500,100</u>	<u>11,500,100</u>	<u>11,678,777</u>	<u>178,677</u>
DISBURSEMENTS				
Capital Projects	11,500,000	11,500,024	16,348	11,483,676
Administration	100	76		76
Total Disbursements	<u>11,500,100</u>	<u>11,500,100</u>	<u>16,348</u>	<u>11,483,752</u>
Net Change in Fund Balance			11,662,429	11,662,429
Fund Balance - Beginning				
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 11,662,429</u>	<u>\$ 11,662,429</u>

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

	OPIOID ABATEMENT FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 28,419	\$ 28,419	\$ 81,767	\$ 53,348
Interest	100	100	432	332
Total Receipts	<u>28,519</u>	<u>28,519</u>	<u>82,199</u>	<u>53,680</u>
DISBURSEMENTS				
Protection to Persons and Property	26,000	26,000		26,000
General Health and Sanitation		148	148	
Social Services	9,800	9,800	7,210	2,590
Administration	225,219	228,918		228,918
Total Disbursements	<u>261,019</u>	<u>264,866</u>	<u>7,358</u>	<u>257,508</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(232,500)</u>	<u>(236,347)</u>	<u>74,841</u>	<u>311,188</u>
Net Change in Fund Balance	(232,500)	(236,347)	74,841	311,188
Fund Balance - Beginning	<u>232,500</u>	<u>236,347</u>	<u>236,347</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 311,188</u>	<u>\$ 311,188</u>

**MERCER 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 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.

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

For The Year Ended June 30, 2025

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MERCER 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 (*Restated)	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 1,132,248	\$	\$	\$ 1,132,248
Buildings	16,832,223	540,323	4,884	17,367,662
Vehicles *	1,123,110	116,406	42,703	1,196,813
Machinery and Equipment	2,226,795	1,101,163		3,327,958
Infrastructure	10,902,510	653,169	435,359	11,120,320
 Total Capital Assets	 <u>\$ 32,216,886</u>	 <u>\$ 2,411,061</u>	 <u>\$ 482,946</u>	 <u>\$ 34,145,001</u>

MERCER 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	\$ 12,500	10-45
Buildings and Building Improvements	\$ 25,000	10-60
Machinery and Equipment	\$ 5,000	3-20
Vehicles	\$ 5,000	3-20
Infrastructure	\$ 10,000	10-40

Note 2. Restatement of Capital Assets Beginning Balance

Vehicles beginning balance was restated by (\$7,999) due to error in prior year.

**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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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 Sarah Steele, Mercer County Judge/Executive
Members of the Mercer 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 Mercer County Fiscal Court for the fiscal year ended June 30, 2025 and the related notes to the financial statement which collectively comprise the Mercer County Fiscal Court's financial statement and have issued our report thereon dated December 23, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Mercer 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 Mercer County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Mercer 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 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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.



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 Mercer County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

December 23, 2025

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

MERCER COUNTY FISCAL COURT

For The Year Ended June 30, 2025

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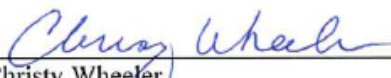
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
MERCER COUNTY FISCAL COURT

For The Year Ended June 30, 2025

The Mercer 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.



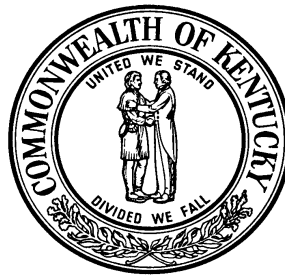
Sarah Steele
County Judge/Executive



Christy Wheeler
County Treasurer

**Report On Compliance For The U.S. Department Of Treasury
Coronavirus State And Local Fiscal Recovery Funds Program (CSLFRF)
Requirements For An Alternative CSLFRF Compliance Examination
Engagement Of The
Mercer County Fiscal Court**

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



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

Independent Accountant's Report

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

We have examined Mercer County Fiscal Court's compliance with the compliance requirements "activities allowed or unallowed" and "allowable cost/cost principles" (the specified requirements) as described in Part IV "Requirements for an Alternative Compliance Examination Engagement for Recipients That Would Otherwise be Required to Undergo a Single Audit or Program-Specific Audit as a Result of Receiving Coronavirus State and Local Fiscal Recovery Funds" of the CSLFRF section of the 2025 OMB *Compliance Supplement* (referred to herein as "Requirements for an Alternative CSLFRF Compliance Examination Engagement") during the fiscal year ended June 30, 2025. Management of the Mercer County Fiscal Court is responsible for Mercer County Fiscal Court's compliance with the specified requirements. Our responsibility is to express an opinion on Mercer County Fiscal Court's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the AICPA; the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in the "Requirements for an Alternative CSLFRF Compliance Examination Engagement." Those standards and requirements require that we plan and perform the examination to obtain reasonable assurance about whether the Mercer County Fiscal Court complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Mercer County Fiscal Court complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on Mercer County Fiscal Court's compliance with specified requirements.

In our opinion, the Mercer County Fiscal Court complied, in all material respects, with the specified requirements referenced above during the fiscal year ended June 30, 2025.



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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud, and noncompliance with provisions of laws, regulations, contracts or grant agreements that have a material effect on Mercer County Fiscal Court's compliance with the specified requirements and any other instances that warrant the attention of those charged with governance. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on Mercer County Fiscal Court's compliance with the specified requirements and not for the purpose of expressing an opinion on the internal control over the specified requirements or on compliance and other matters; accordingly, we express no such opinions. The results of our tests disclosed no matters that are required to be reported under *Government Auditing Standards*.

Intended Purpose

The purpose of this examination report is solely to express an opinion on whether the Mercer County Fiscal Court complied, in all material respects with the specified requirements referenced above during the fiscal year ended June 30, 2025. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

December 23, 2025