

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

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

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To the People of Kentucky  
Honorable Andy Beshear, Governor  
Holly McCoy-Johnson, Secretary  
Finance and Administration Cabinet  
Honorable Steve Mays, Lee County Judge Executive  
Honorable Charles Caudill, Jr., Former Lee County Judge/Executive  
Members of the Lee County Fiscal Court

## **Independent Auditor's Report**

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

#### ***Opinion***

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances – Regulatory Basis of the Lee County Fiscal Court, as of and for the year ended June 30, 2023, and the related notes to the financial statement, which collectively comprise the Lee 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 Lee County Fiscal Court, for the year ended June 30, 2023, in accordance with accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

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

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

#### ***Basis for Opinion***

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 Lee 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 opinion.

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 Lee 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***

Lee 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 statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lee 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 opinion. 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 generally accepted auditing standards 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.

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- 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 Lee County Fiscal Court's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lee 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 Lee County Fiscal Court. The Budgetary Comparison Schedules, 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.

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### ***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 opinion on the financial statement does not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statement, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statement, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2025, on our consideration of the Lee 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 the Lee County Fiscal Court's 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 Lee County Fiscal Court's internal control over financial reporting and compliance.

*Morgan and Associates, LLC*

Morgan and Associates, LLC  
West Liberty, Kentucky

January 16, 2025

## **LEE COUNTY OFFICIALS**

For The Year Ended June 30, 2023

### **Fiscal Court Members:**

Steve Mays	County Judge/Executive
Charles Caudill, Jr.	Former County Judge/Executive
Timothy Brandenburg	Magistrate
Ronnie Begley	Former Magistrate
Dean Noe	Magistrate
Rodney Ross	Magistrate
Harvey Pelfrey	Former Magistrate
Dennis Pelfrey	Magistrate

### **Other Elected Officials:**

Thomas Hollon	County Attorney
Justin Shuler	Jailer
Corbett Dunaway	Former Jailer
Kimberly Noe	County Clerk
Tyler Phillips	Circuit Court Clerk
Joseph Lucas	Sheriff
Wendell Childers, Jr.	Former Sheriff
Elizabeth Roach	Property Valuation Administrator
Brian Wilson	Coroner
Timothy Fox	Former Coroner

### **Appointed Personnel:**

Pearl Spencer	County Treasurer
Jodi Coldiron	Administrative Assistant/Payroll Clerk

**LEE COUNTY  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES  
IN FUND BALANCES – REGULATORY BASIS**

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



**LEE COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES – REGULATORY BASIS**

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

	Budgeted Funds				
	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund	Federal Grant Fund
<b>RECEIPTS</b>					
Taxes	\$ 1,488,448	\$	\$	\$	\$
In Lieu Tax Payments	48,418	16,268			
Excess Fees	38,480				
Licenses and Permits	21,225				
Intergovernmental	1,791,588	1,829,383	83,664	152,826	294,419
Charges for Services	920				
Miscellaneous	123,922	457,213			
Interest	1,318	744	54	33	
Total Receipts	3,514,319	2,303,608	83,718	152,859	294,419
<b>DISBURSEMENTS</b>					
Current:					
General Government	1,252,566				294,419
Protection to Persons and Property	350,478		280,296		
General Health and Sanitation	28,038				
Social Services	86,504				
Recreation and Culture	69,269				
Roads		1,561,293			
Debt Service	101,974	559,533			
Administration	1,744,728	308,573	24,515		
Total Disbursements	3,633,557	2,429,399	304,811		294,419
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(119,238)	(125,791)	(221,093)	152,859	0
<b>Other Adjustments to Cash (Uses)</b>					
Transfers From Other Funds	165,389		224,418		
Transfers To Other Funds	(87,000)	(150,000)		(160,000)	
Total Other Adjustments to Cash (Uses)	78,389	(150,000)	224,418	(160,000)	
Net Change in Fund Balance	(40,849)	(275,791)	3,325	(7,141)	0
Fund Balance - Beginning (Restated)	402,013	604,816	16,578	7,928	
Fund Balance - Ending	\$ 361,164	\$ 329,025	\$ 19,903	\$ 786	\$ 0
<b>Composition of Fund Balance</b>					
Bank Balance	\$ 470,169	\$ 722,251	\$ 20,197	\$ 786	\$
Less: Outstanding Checks	(109,005)	(393,226)	(294)		
Fund Balance - Ending	\$ 361,164	\$ 329,025	\$ 19,903	\$ 786	\$ 0

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

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

	Budgeted Funds				
	Ambulance Fund	Solid Waste Fund	Alcohol Beverage Control Fund	County Clerk Storage Fee Fund	Opioid Settlement Fund
<b>RECEIPTS</b>					
Taxes	\$	\$	\$ 5,090	\$	\$
In Lieu Tax Payments					
Excess Fees					
Licenses and Permits					
Intergovernmental	9,736	21,180			
Charges for Services	586,157	527,737			
Miscellaneous	127,283	17,261	8,517	9,110	103,294
Interest	103	873	10	17	219
Total Receipts	723,279	567,051	13,617	9,127	103,513
<b>DISBURSEMENTS</b>					
Current:					
General Government					
Protection to Persons and Property	787,196				
General Health and Sanitation		480,614			
Social Services					
Recreation and Culture					
Roads					
Debt Service		80,697			
Administration	283,027	134,351			
Total Disbursements	1,070,223	695,662			
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(346,944)	(128,611)	13,617	9,127	103,513
<b>Other Adjustments to Cash (Uses)</b>					
Transfers From Other Funds	339,633				
Transfers To Other Funds			(15,389)		
Total Other Adjustments to Cash (Uses)	339,633		(15,389)		
Net Change in Fund Balance	(7,311)	(128,611)	(1,772)	9,127	103,513
Fund Balance - Beginning (Restated)	40,928	169,683	23,884		
Fund Balance - Ending	\$ 33,617	\$ 41,072	\$ 22,112	\$ 9,127	\$ 103,513
<b>Composition of Fund Balance</b>					
Bank Balance	\$ 34,118	\$ 41,153	\$ 22,112	\$ 9,127	\$ 103,513
Less: Outstanding Checks	(501)	(81)			
Fund Balance - Ending	\$ 33,617	\$ 41,072	\$ 22,112	\$ 9,127	\$ 103,513

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

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

	<u>Budgeted Funds</u>	
	<u>American Rescue Plan Act Fund</u>	<u>Total Funds</u>
<b>RECEIPTS</b>		
Taxes	\$	\$ 1,493,538
In Lieu Tax Payments		64,686
Excess Fees		38,480
Licenses and Permits		21,225
Intergovernmental	718,973	4,901,769
Charges for Services		1,114,814
Miscellaneous	25,576	872,176
Interest	633	4,004
Total Receipts	<u>745,182</u>	<u>8,510,692</u>
<b>DISBURSEMENTS</b>		
Current:		
General Government		1,546,985
Protection to Persons and Property	244,148	1,662,118
General Health and Sanitation		508,652
Social Services		86,504
Recreation and Culture		69,269
Roads		1,561,293
Debt Service		742,204
Administration	13,556	2,508,750
Total Disbursements	<u>257,704</u>	<u>8,685,775</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	487,478	(175,083)
<b>Other Adjustments to Cash (Uses)</b>		
Transfers From Other Funds		729,440
Transfers To Other Funds	(317,051)	(729,440)
Total Other Adjustments to Cash (Uses)	<u>(317,051)</u>	
Net Change in Fund Balance	170,427	(175,083)
Fund Balance - Beginning (Restated)	13,784	1,279,613
Fund Balance - Ending	<u>\$ 184,211</u>	<u>\$ 1,104,530</u>
<b>Composition of Fund Balance</b>		
Bank Balance	\$ 184,211	\$ 1,607,637
Less: Outstanding Checks		(503,107)
Fund Balance - Ending	<u>\$ 184,211</u>	<u>\$ 1,104,530</u>

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

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TO THE FINANCIAL STATEMENT**

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**LEE COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2023**

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

**A. Reporting Entity**

The financial statement of Lee County includes all budgeted and unbudgeted funds under the control of the Lee 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 include non-fiduciary financial activities that are within the county's control. Unbudgeted funds may also include any corporation created 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 Government 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, and 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 source of receipts for this fund is state payments for truck licenses 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 government 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.

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

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

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

Budgeted Funds (Continued)

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

Federal Grant Fund – The primary purpose of this fund is to account for monies received through grants. The primary source of receipts for this fund are received from the federal government. At June 30, 2023, this fund was closed.

Ambulance Fund - The primary purpose of this fund is to account for expenses related to the county-run ambulance service. The primary source of receipts for this fund is from charges for ambulance runs.

Solid Waste Fund – The primary purpose of this fund is to account for garbage collections expenses of the county. The primary source of receipts for this fund is from monthly billing of solid waste collections to users.

Alcohol Beverage Control Fund – The primary purpose of this fund is to account for receipts and disbursements related to the control of alcohol sales. The primary source of receipts for this fund is from the distribution of alcohol licenses.

County Clerk's Storage Fee Fund – The primary purpose of this fund is to account for the \$10 storage fee collected by the county clerk and required to be held by the county fiscal court for the exclusive purpose of providing funding for the permanent storage of recorded instruments.

Opioid Settlement Fund – The primary purpose of this fund is to account for the opioid settlement funds allocated to local governments pursuant to House Bill 427 to combat the opioid crisis.

American Rescue Plan Act Fund – The primary purpose of this fund is to account for receipts and disbursements of monies received from the federal government related to the pandemic. The primary source of receipts for this fund is from American Rescue Plan Act funds.

**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 *Government 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.

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

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

**E. Lee County Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Lee 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 Lee 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 the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**G. Long-term Obligations**

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

**H. Joint Ventures**

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following is considered joint ventures of Lee County Fiscal Court: Three Forks Regional Jail and Multi-County Recreational Board, Inc.

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

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

**H. Joint Ventures (Continued)**

Three Forks Regional Jail

On October 6, 2000, the Counties of Lee, Owsley and Wolfe (the participating counties) entered into an Interlocal Cooperation Agreement in order to provide for joint and cooperative action in the acquisition, construction, installation, maintenance and financing of the Three Forks Regional Jail. Pursuant to this interlocal agreement, Lee County (the lead county) established the Three Forks Public Properties Corporation, a legally separate organization, to act as an agency and instrumentality of the participating counties in financing the acquisition and construction of the Three Forks Regional Jail. On December 1, 2000, the corporation issued \$6,295,000 of first mortgage revenue bonds.

The only source of funds expected by the Three Forks Public Properties Corporation to meet the debt service requirements on the bonds are the rental payments from the participating counties, as stipulated in the lease and sublease agreements dated October 1, 2000. Pursuant to the lease and sublease, each participating county covenants to meet its proportionate share of the debt service requirements on the bond as follows (the "proportionate share" or "use allowance"): 40% for Lee County, 22% for Owsley County and 38% for Wolfe County.

On December 1, 2000, the three participating counties established the Three Forks Regional Jail Authority pursuant to the provisions of KRS 441.800 and KRS 441.810 to act as the constituted authority of the participating counties in the acquisition, construction, equipping, and operation of the Three Forks Regional Jail.

The Three Forks Regional Jail Authority and the Three Forks Public Property Corporation are comprised of an eight-member board of directors. Lee County appoints three of the eight members. Wolfe and Owsley counties appoint two members each. In addition, the Lee County Jailer is a required member of the board.

**Note 2. Deposits**

The fiscal court maintained deposits of public funds with federally insured banking institutions as required by the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*. The DLG Manual strongly recommends perfected pledges of securities covering all public funds except direct federal obligations and funds protected by federal insurance. In order to be perfected in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of the DLG *County Budget Preparation and State Local Finance Officer Policy Manual*. As of June 30, 2023, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.



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

**Note 3. Long-Term Debt**

**Direct Borrowings or Direct Placements**

**A. 2023 Trucks**

In June 2022, Lee County Fiscal Court entered into a financing obligation agreement for \$357,340 with the Kentucky Association of Counties Leasing Trust to purchase two Mack trucks. The county purchased heavy trucks to use for eighteen months; then the trucks are to be sold at auction. The terms of the agreement stipulate an eighteen-month repayment schedule, with the final principal and interest due in December 2022 at an interest rate of 3.74 percent. As of June 30, 2023, the principal was paid in full.

**B. Flood Relief**

In April 2021, the Lee County Fiscal Court entered into a financing obligation agreement for \$300,000 with the Kentucky Association of Counties for flood relief. The terms of the agreement stipulate a 75-month repayment schedule, with final principal and interest due in June 2027, at an interest rate of 3.74 percent. Payments for the first fifteen months were \$0.

The lessor may terminate this agreement immediately upon the occurrence of any of the following events: (a) the lessee fails to pay when due any of the payments, or to perform, or rectify breach of, any obligation assumed by the lessee in this agreement; (b) the lessee makes an assignment for the benefit of creditors, or is subject to any receivership, insolvency or bankruptcy proceedings; or (c) any other event which causes the lessor, in good faith, to deem itself insecure. Whenever any event of default has occurred and is continuing, the lessor may, without any further demand or notice, take one of any combination of the following remedial steps: terminate the lease term and give notice to the lessee to vacate or surrender the project assets within seven days from the date of such notice; exercise all the rights and remedies of a secured party under the Kentucky Uniform Commercial Code, with respect to the project assets, and may otherwise repossess and liquidate or realize foreclose upon the project assets in lawful manner; sell or re-lease the project or any portion thereof; recover from the lessee lease payments which would otherwise have been payable during any period in which the lessee continues to use, occupy or retain possession of the project assets. Failure of the lessor to exercise any right or remedy, including, but not limited to, the acceptance of partial or delinquent payments, shall not be a waiver of any obligation lessee, or right of lessor, or constitute a waiver of any other similar default subsequently occurring.

The outstanding principal as of June 30, 2023 was \$244,395. Future principal and interest requirements are:

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Scheduled</u> <u>Interest</u>
2024	\$ 57,720	\$ 8,158
2025	59,916	5,961
2026	62,196	3,682
2027	64,563	1,315
Totals	<u>\$ 244,395</u>	<u>\$ 19,116</u>

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

**Note 3. Long-Term Debt (Continued)**

**Direct Borrowings or Direct Placements (Continued)**

**C. Flood Repairs**

In May 2022, Lee County Fiscal Court entered into a financing obligation agreement for \$400,000 with the Magnolia Bank, Inc. for the purpose of acquiring, constructing, equipping, and installing improvements to repair flood damage. The terms of the agreement stipulate a 36-month repayment schedule, with final principal and interest due in May 2025 with an interest rate of 3.35 percent.

Upon the occurrence of an Event of Default, and as long as the Event of Default is continuing, Lessor may, at its option, exercise any one or more of the following remedies as to the Project, to whichever the Event of Default pertains: (a) By appropriate court action, enforce the pledge set forth in Section 2 of the Authorizing Legislation and Section 9 of this Lease so that during the remaining Lease Term there is levied on all the taxable property in the Lessee, in addition to all other taxes, without limitation as to rate, a direct tax annually in an amount sufficient to pay the Lease Payments when and as due; (b) By written notice to Lessee, enter and take immediate possession of the Project; (c) Sell or lease the Project or sublease it for the account of Lessee, holding Lessee liable for all Lease Payments and other payments due during the remaining Lease Term to the extent that such selling, leasing or subleasing fails to provide amounts which are sufficient to pay the remaining Lease Payments when due, with any proceeds of the sale of the Project being applied first to all past due Lease Payments and then to the portion of Lease Payments applicable to the Principal Component in inverse order of their due date; and (d) Exercise any other right, remedy or privilege which may be available to it under the applicable laws of the Commonwealth or any other applicable law or proceed by appropriate court action to enforce the terms of this Lease or to recover damages for the breach of this Lease or to rescind this Lease as to any or all of the Project, including, but not limited to, any one or more remedial steps available to secured parties under Article 9 of the UCC and which are otherwise accorded to Lessor by applicable law.

Lessee will remain liable for all covenants and obligations under this Lease, and for all legal fees and other costs and expenses, including court costs awarded by a court of competent jurisdiction, incurred by Lessor with respect to the enforcement of any of the remedies under this Lease, when a court of competent jurisdiction has finally adjudicated that an Event of Default has occurred and enforced the remedies set forth in this Section; provided that the remedies set forth in clauses (a), (b) and (c) of this Section shall only be available for an Event of Default described in Section 22(a) and any satisfaction of Lease Payments as a result of actions taken under clauses (b) and (c) of this Section shall reduce the amount of the direct annual tax required to be levied under clause (a) of this Section.

The outstanding principal as of June 30, 2023 was \$260,253. Future principal and interest requirements are:

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Scheduled</u> <u>Interest</u>
2024	\$ 133,925	\$ 6,673
2025	126,328	2,124
Totals	<u>\$ 260,253</u>	<u>\$ 8,797</u>

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

**Note 3. Long-Term Debt (Continued)**

**Direct Borrowings or Direct Placements (Continued)**

**D. Garbage Trucks**

In January 2022, Lee County Fiscal Court entered into a financing obligation agreement for \$280,000 with the Republic Bank & Trust Company to purchase two garbage trucks. The terms of the agreement stipulate a sixty-month repayment schedule, with final principal and interest due in February 2027 at an interest rate of 2.80 percent.

Upon the occurrence of an Event of Default, and as long as the Event of Default is continuing, Lessor may, at its option, exercise any one or more of the following remedies as to the Project, to whichever the Event of Default pertains: (a) Terminate the Lease Term and give notice to the Lessee to vacate or surrender the Project within 60 days from the date of such notice; (b) By written notice to Lessee, enter and take immediate possession of the Project; (c) Recover from the Lessee: (i) the Lease Payments which would otherwise have been payable hereunder during any period in which the Lessee continues to use, occupy or retain possession of the Project; and (ii) Lease Payments which would otherwise have been payable hereunder after the Lessee vacates or surrenders the Project during the remainder of the fiscal year in which such Event of Default occurs; (d) Sell or lease the Project or sublease it for the account of Lessee, holding Lessee liable for all Lease Payments and other payments due during the remaining Lease Term to the extent that such selling, leasing or subleasing fails to provide amounts which are sufficient to pay the remaining Lease Payments when due, with any proceeds of the sale of the Project being applied first to all past due Lease Payments and then to the portion of Lease Payments applicable to the Principal Component in inverse order of their due date; and (e) Exercise any other right, remedy or privilege which may be available to it under the applicable laws of the Commonwealth or any other applicable law, subject to the limitations contained in this Lease with respect to the Lessee's obligations upon the occurrence of an Event of Nonappropriation; or proceed by appropriate court action to enforce the terms of this Lease or to recover damages for the breach of this Lease or to rescind this Lease as to any or all of the Project, including, but not limited to, any one or more remedial steps available to secured parties under Article 9 of the UCC and which are otherwise accorded to Lessor by applicable law.

Lessee will remain liable for all covenants and obligations under this Lease, and for all legal fees and other costs and expenses, including court costs awarded by a court of competent jurisdiction, incurred by Lessor with respect to the enforcement of any of the remedies under this Lease, when a court of competent jurisdiction has finally adjudicated that an Event of Default has occurred and enforced the remedies set forth in this Section.

The outstanding principal as of June 30, 2023 was \$189,466. Future principal and interest requirements are:

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Scheduled</u> <u>Interest</u>
2024	\$ 55,025	\$ 5,245
2025	56,617	3,228
2026	58,243	2,026
2027	<u>19,581</u>	<u>475</u>
Totals	<u>\$ 189,466</u>	<u>\$ 10,974</u>

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

**Note 3. Long-Term Debt (Continued)**

**Direct Borrowings or Direct Placements (Continued)**

**E. Long-term Debt Maturity in the Aggregate**

Fiscal Year Ended June 30	Principal	Scheduled Interest
2024	\$ 246,670	\$ 20,076
2025	242,861	11,313
2026	120,439	5,708
2027	84,144	1,790
Totals	<u>\$ 694,114</u>	<u>\$ 38,887</u>

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

Long-term Debt activity for the year ended June 30, 2023, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings or Direct Placements	<u>\$ 1,310,717</u>	<u>\$</u>	<u>\$ 616,603</u>	<u>\$ 694,114</u>	<u>\$ 246,670</u>
Total Long-term Debt	<u>\$ 1,310,717</u>	<u>\$ 0</u>	<u>\$ 616,603</u>	<u>\$ 694,114</u>	<u>\$ 246,670</u>

**Note 4. Transfers**

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

	General Fund	Road Fund	LGEA Fund	ABC Fund	ARPA Fund	Total Transfers In
General Fund	\$	\$ 150,000	\$	\$ 15,389	\$	\$ 165,389
Jail Fund	68,000		145,000		11,418	224,418
Ambulance Fund	19,000		15,000		305,633	339,633
Total Transfers Out	<u>\$ 87,000</u>	<u>\$ 150,000</u>	<u>\$ 160,000</u>	<u>\$ 15,389</u>	<u>\$ 317,051</u>	<u>\$ 729,440</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.

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

**Note 5. Employee Retirement System**

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (Ky. Ret. Sys.). This is a cost-sharing, multiple-employer defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Effective April 1, 2021, the Kentucky Public Pension Authority (KPPA) was created by KRS 61.505 to provide staffing and daily administrative needs for CERS and Ky. Ret. Sys. The CERS nine (9) member board of trustees is responsible for the governance of the CERS pension and insurance plans.

The county's contribution for the FY 2021 was \$425,730, the FY 2022 was \$508,513, and the FY 2023 was \$554,700.

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute six percent of their salary to be allocated as follows: five percent will go to the member's account and one 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 account. Nonhazardous covered employees contribute five percent of their annual creditable compensation. Nonhazardous members also contribute one 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 KRS Board of Directors based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a four percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

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

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

Other Post-Employment Benefits (OPEB)

*A. Health Insurance Coverage – Tier 1*

CERS also 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:

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

**Note 5. Employee Retirement System (Continued)**

Other Post-Employment Benefits (OPEB) (Continued)

*A. Health Insurance Coverage – Tier 1 (Continued)*

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

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

Benefits are covered under KRS 78.5536.

*Health Insurance Coverage – Tier 2 and Tier 3 – Nonhazardous*

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

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

Tier 2 member benefits are covered by KRS 78.5536. Tier 3 members are not covered by the same provisions.

*B. Cost of Living Adjustments – Tier 1*

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of CERS benefits. During the 2008 Special Session, the General Assembly determined that each July beginning in 2009, retirees who have been receiving a retirement allowance for at least 12 months will receive an automatic COLA of 1.5 percent. The COLA is not a guaranteed benefit. If a retiree has been receiving a benefit for less than 12 months, and a COLA is provided, it will be prorated based on the number of months the recipient has been receiving a benefit.

*C. 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.

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

**Note 5. Employee Retirement System (Continued)**

Other Post-Employment Benefits (OPEB) (Continued)

*D. 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 the benefit. Members with multiple accounts are entitled to only one death benefit.

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

Ky. Ret. Sys. issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Public 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 Schedule 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 6. Insurance**

For the fiscal year ended June 30, 2023, Lee County 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 a 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. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**Note 7. Subsequent Events**

Subsequent events have been evaluated through January 16, 2025, which is the date the financial statements were available to be issued.

**Note 8. Prior Period Adjustment**

The General Fund Beginning Balance was increased by \$1,200 for a voided check.

**Note 9. Leases**

*Lessee*

**A. John Deere Loader Backhoe**

In September 2019, the Fiscal Court entered into a lease agreement with Deere Credit, Inc., for a 2019 John Deere Loader Backhoe valued at \$83,250. The length of the lease is thirty-six months with payments of \$760 per month beginning in October 2019 with a purchase option of \$73,600 at the end of the lease. During 2023, the equipment was upgraded to a 2023 JD loader backhoe. (See B.) Payments made on the lease are reflected in the Road Fund debt service.

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

**Note 9. Leases (Continued)**

*Lessee (Continued)*

**B. John Deere Loader Backhoe**

In March 2023, the Fiscal Court entered into a lease agreement with Deere Credit, Inc., for a 2023 John Deere Loader Backhoe valued at \$ 114,015. The length of the lease is sixty months with payments of \$2,001 per month beginning in April 2023 with a purchase option of \$53,000 at the end of the lease. Payments made on the lease are reflected in the Road Fund debt service.

**C. John Deere Grader**

In July 2019, the Fiscal Court entered into a lease agreement with Deere Credit, Inc., for a 2019 John Deere Grader valued at \$244,787. The Fiscal Court received a \$45,977 trade-in for a CAT Grader. The length of the lease is thirty-six months with monthly payments of \$1,595 beginning in August 2019, with a purchase option of \$183,000 at the end of the lease. During 2023, the equipment was upgraded to a 2023 JD grader. (See D.) Payments made on the lease are reflected in the Road Fund debt service.

**D. John Deere Grader**

In February 2023, the Fiscal Court entered into a lease agreement with Deere Credit, Inc., for a 2023 John Deere Grader valued at \$ 280,008. The length of the lease is sixty months with monthly payments of \$3,838 beginning in March 2023, with a purchase option of \$164,876 at the end of the lease. Payments made on the lease are reflected in the Road Fund debt service.

**E. John Deere Trackhoe**

In September 2022, the fiscal court entered into a lease agreement for a trackhoe valued at \$90,860. The length of the lease is 60 months with monthly payments of \$1,514 beginning in September 2020. The agreement provided no purchase option at the end of the lease. Payments made on the lease are reflected in the Road Fund debt service.

**Note 10. Medicaid Settlement**

In March 2019, the Lee County Fiscal Court entered into a financing obligation agreement for \$236,695 with the U.S. Department of Justice for Medicare. The terms of the agreement stipulate a seven-year repayment schedule, with the final principal and interest due in March 2025, at an interest rate of 2.25 percent.

The outstanding principal as of June 30, 2023 was \$67,628. Future principal and interest requirements are:

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Scheduled</u> <u>Interest</u>
2024	\$ 33,814	\$ 3,804
2025	33,814	3,804
<b>Totals</b>	<b>\$ 67,628</b>	<b>\$ 7,608</b>



**LEE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information – Regulatory Basis**

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

**LEE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information – Regulatory Basis**

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

GENERAL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,413,508	\$ 1,413,508	\$ 1,488,448	\$ 74,940
In Lieu Tax Payments	46,000	46,000	48,418	2,418
Excess Fees	24,635	24,635	38,480	13,845
Licenses and Permits	20,000	20,000	21,225	1,225
Intergovernmental	358,268	1,708,268	1,791,588	83,320
Charges for Services			920	920
Miscellaneous	63,390	63,390	123,922	60,532
Interest	30	30	1,318	1,288
Total Receipts	1,925,831	3,275,831	3,514,319	238,488
DISBURSEMENTS				
General Government	950,778	1,313,413	1,252,566	60,847
Protection to Persons and Property	336,713	355,187	350,478	4,709
General Health and Sanitation	38,452	29,452	28,038	1,414
Social Services	75,890	91,261	86,504	4,757
Recreation and Culture	67,928	73,740	69,269	4,471
Debt Service	101,976	101,976	101,974	2
Administration	553,760	1,748,468	1,744,728	3,740
Total Disbursements	2,125,497	3,713,497	3,633,557	79,940
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)				
	(199,666)	(437,666)	(119,238)	318,428
Other Adjustments to Cash (Uses)				
Transfers From Other Funds		150,000	165,389	15,389
Transfers To Other Funds	(218,334)	(218,334)	(87,000)	131,334
Total Other Adjustments to Cash (Uses)	(218,334)	(68,334)	78,389	146,723
Net Change in Fund Balance				
	(418,000)	(506,000)	(40,849)	465,151
Fund Balance - Beginning (Restated)	418,000	418,000	402,013	(15,987)
Fund Balance - Ending				
	\$ 0	\$ (88,000)	\$ 361,164	\$ 449,164

**LEE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information – Regulatory Basis**  
**For The Year Ended June 30, 2023**  
**(Continued)**

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
In Lieu Tax Payments	\$ 10,000	\$ 10,000	\$ 16,268	\$ 6,268
Intergovernmental	1,766,062	1,932,686	1,829,383	(103,303)
Miscellaneous	322,300	322,300	457,213	134,913
Interest	30	30	744	714
Total Receipts	2,098,392	2,265,016	2,303,608	38,592
<b>DISBURSEMENTS</b>				
Roads	1,447,953	1,835,227	1,561,293	273,934
Debt Service	588,415	572,335	559,533	12,802
Administration	264,437	309,867	308,573	1,294
Total Disbursements	2,300,805	2,717,429	2,429,399	288,030
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(202,413)	(452,413)	(125,791)	326,622
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds		(150,000)	(150,000)	0
Total Other Adjustments to Cash (Uses)		(150,000)	(150,000)	0
Net Change in Fund Balance	(202,413)	(602,413)	(275,791)	326,622
Fund Balance - Beginning	202,413	602,413	604,816	2,403
Fund Balance - Ending	\$ 0	\$ 0	\$ 329,025	\$ 329,025

**LEE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information – Regulatory Basis**  
**For The Year Ended June 30, 2023**  
**(Continued)**

<b>JAIL FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 76,362	\$ 110,562	\$ 83,664	\$ (26,898)
Interest	10	10	54	44
Total Receipts	76,372	110,572	83,718	(26,854)
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	386,174	377,792	280,296	97,496
Administration	26,952	46,766	24,515	22,251
Total Disbursements	413,126	424,558	304,811	119,747
Excess (Deficiency) of Receipts Over Adjustments to Cash (Uses)	(336,754)	(313,986)	(221,093)	92,893
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	331,754	363,986	224,418	(139,568)
Total Other Adjustments to Cash (Uses)	331,754	363,986	224,418	(139,568)
Net Change in Fund Balance	(5,000)	50,000	3,325	(46,675)
Fund Balance - Beginning	5,000	5,000	16,578	11,578
Fund Balance - Ending	\$ 0	\$ 55,000	\$ 19,903	\$ (35,097)

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

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 113,420	\$ 152,825	\$ 152,826	\$ 1
Interest	5	5	33	28
Total Receipts	113,425	152,830	152,859	29
<b>DISBURSEMENTS</b>				
Protection to Person and Property	105	105		105
Total Disbursements	105	105		105
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	113,320	152,725	152,859	134
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds	(113,420)	(160,652)	(160,000)	652
Total Other Adjustments to Cash (Uses)	(113,420)	(160,652)	(160,000)	652
Net Change in Fund Balance	(100)	(7,927)	(7,141)	786
Fund Balance - Beginning	100	7,927	7,928	1
Fund Balance - Ending	\$ 0	\$ 0	\$ 786	\$ 786

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

FEDERAL GRANT FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 418,700	\$ 418,700	\$ 294,419	\$ (124,281)
Total Receipts	418,700	418,700	294,419	(124,281)
<b>DISBURSEMENTS</b>				
General Government	418,700	418,700	294,419	124,281
Total Disbursements	418,700	418,700	294,419	124,281
Net Change in Fund Balance				
Fund Balance - Beginning				0
Fund Balance - Ending	\$ 0	\$ 0	\$ 0	\$ 0

**LEE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information – Regulatory Basis**  
**For The Year Ended June 30, 2023**  
**(Continued)**

<b>AMBULANCE FUND</b>				
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>RECEIPTS</b>				
Intergovernmental	\$ 10,000	\$ 10,000	\$ 9,736	\$ (264)
Charges For Services	600,000	600,000	586,157	(13,843)
Miscellaneous	106,834	106,834	127,283	20,449
Interest	10	10	103	93
Total Receipts	<u>716,844</u>	<u>716,844</u>	<u>723,279</u>	<u>6,435</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	727,904	802,299	787,196	15,103
Administration	270,485	287,017	283,027	3,990
Total Disbursements	<u>998,389</u>	<u>1,089,316</u>	<u>1,070,223</u>	<u>19,093</u>
Excess (Deficiency) of Receipts Over Adjustments to Cash (Uses)	(281,545)	(372,472)	(346,944)	25,528
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	254,545	269,545	339,633	70,088
Total Other Adjustments to Cash (Uses)	<u>254,545</u>	<u>269,545</u>	<u>339,633</u>	<u>70,088</u>
Net Change in Fund Balance	(27,000)	(102,927)	(7,311)	95,616
Fund Balance - Beginning	27,000	40,927	40,928	1
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (62,000)</u>	<u>\$ 33,617</u>	<u>\$ 95,617</u>

**LEE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information – Regulatory Basis**  
**For The Year Ended June 30, 2023**  
**(Continued)**

<b>SOLID WASTE FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$	\$ 17,180	\$ 21,180	\$ 4,000
Charges for Services	522,000	522,000	527,737	5,737
Miscellaneous	200	200	17,261	17,061
Interest	20	20	873	853
Total Receipts	522,220	539,400	567,051	27,651
<b>DISBURSEMENTS</b>				
General Health and Sanitation	482,399	504,360	480,614	23,746
Debt Service	60,270	60,270	80,697	(20,427)
Administration	147,057	184,276	134,351	49,925
Total Disbursements	689,726	748,906	695,662	53,244
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(167,506)	(209,506)	(128,611)	80,895
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	62,506	62,506		(62,506)
Total Other Adjustments to Cash (Uses)	62,506	62,506		(62,506)
Net Change in Fund Balance	(105,000)	(147,000)	(128,611)	18,389
Fund Balance - Beginning	105,000	147,000	169,683	22,683
Fund Balance - Ending	\$ 0	\$ 0	\$ 41,072	\$ 41,072



**LEE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information – Regulatory Basis**  
**For The Year Ended June 30, 2023**  
**(Continued)**

<b>ALCOHOL BEVERAGE CONTROL FUND</b>				
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>RECEIPTS</b>				
Taxes	\$ 4,000	\$ 4,000	\$ 5,090	\$ 1,090
Miscellaneous	5,000	5,000	8,517	3,517
Interest			10	10
Total Receipts	9,000	9,000	13,617	4,617
<b>DISBURSEMENTS</b>				
Administration	24,481	24,481		24,481
Total Disbursements	24,481	24,481		24,481
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(15,481)	(15,481)	13,617	29,098
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds			(15,389)	(15,389)
Total Other Adjustments to Cash (Uses)			(15,389)	(15,389)
Net Change in Fund Balance	(15,481)	(15,481)	(1,772)	13,709
Fund Balance - Beginning	15,481	15,481	23,884	8,403
Fund Balance - Ending	\$ 0	\$ 0	\$ 22,112	\$ 22,112

**LEE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information – Regulatory Basis**  
**For The Year Ended June 30, 2023**  
**(Continued)**

<b>COUNTY CLERK STORAGE FEE FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)
	Original	Final	
			Variance with Final Budget Positive (Negative)
<b>RECEIPTS</b>			
Miscellaneous	\$	\$	\$ 9,110
Interest			17
Total Receipts			9,127
Net Change in Fund Balance			9,127
Fund Balance - Beginning			0
Fund Balance - Ending	\$ 0	\$ 0	\$ 9,127

**LEE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information – Regulatory Basis**  
**For The Year Ended June 30, 2023**  
**(Continued)**

<b>OPIOD SETTLEMENT FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)
	Original	Final	
			Variance with Final Budget Positive (Negative)
<b>RECEIPTS</b>			
Miscellaneous	\$	\$	\$ 103,294
Interest			219
Total Receipts			103,513
Net Change in Fund Balance			103,513
Fund Balance - Beginning			0
Fund Balance - Ending	\$ 0	\$ 0	\$ 103,513

**LEE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information – Regulatory Basis**  
**For The Year Ended June 30, 2023**  
**(Continued)**

<b>AMERICAN RESCUE PLAN ACT FUND</b>				
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>RECEIPTS</b>				
Intergovernmental	\$ 718,973	\$ 718,973	\$ 718,973	\$ 0
Miscellaneous		25,576	25,576	0
Interest			633	633
Total Receipts	718,973	744,549	745,182	633
<b>DISBURSEMENTS</b>				
Protection of Persons and Property	7,080	276,381	244,148	32,233
Administration	408,623	69,898	13,556	56,342
Total Disbursements	415,703	346,279	257,704	88,575
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	303,270	398,270	487,478	89,208
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds	(317,051)	(317,051)	(317,051)	0
Total Other Adjustments to Cash (Uses)	(317,051)	(317,051)	(317,051)	0
Net Change in Fund Balance	(13,781)	81,219	170,427	89,208
Fund Balance - Beginning	13,781	13,781	13,784	3
Fund Balance - Ending	\$ 0	\$ 95,000	\$ 184,211	\$ 89,211

**LEE COUNTY**  
**NOTES TO REGULATORY SUPPLEMENTARY**  
**INFORMATION – BUDGETARY COMPARISON SCHEDULES**

**June 30, 2023**

**Note 1. Budgetary Information**

Annual budgets are adopted on a regulatory basis of accounting according to the laws of Kentucky as required by the state local finance officer, which is a basis of account 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.

**LEE COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For The Year Ended June 30, 2023**

**LEE COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing #</u>	<u>Pass-Through Entity's Identifying Number</u>	<u>Total Federal Expenditures</u>
<b>U. S. Department of Homeland Security</b>			
<i>Passed Thru Kentucky Emergency Management</i>			
Emergency Management Performance Grant	97.042	SC0952200000-589	\$ 2,935
Emergency Management Performance Grant	97.042	SC0952300000-859	12,445
Disaster Grant Public Assistance	97.036	SC09520000189	76,491
Disaster Grant Public Assistance	97.036		109,216
Disaster Grant Public Assistance	97.036		14,415
<i>Passed Thru State Set Aside Committee EFSP</i>			
Emergency Fund and Shelter National Board Program	97.024	345000-001	19,152
<b>TOTAL OF U.S. DEPARTMENT OF HOMELAND SECURITY</b>			<b>234,654</b>
<b>U.S. Department of Treasury</b>			
<i>Passed Thru Kentucky Department of Treasury</i>			
Coronavirus State and Local Fiscal Recovery Funds	21.027	61-6083598	574,755
Local Assistance and Tribal Consistency Funds	21.032	61-6083598	50,000
<b>TOTAL OF U.S. DEPARTMENT OF TREASURY</b>			<b>624,755</b>
<b>U.S. Department of Interior</b>			
<i>Passed Thru Kentucky Office of Attorney General</i>			
Opioid Stimulant and Other Substances Use Program	16.838	2017-AR-BX-K003	25,716
<b>TOTAL OF U.S. DEPARTMENT OF JUSTICE</b>			<b>25,716</b>
<b>U. S. Department of Agriculture</b>			
NATURAL RESOURCE CONSERVATION SERVICE	10.924		130,689
RURAL DEVELOPMENT COMMUNITY FACILITIES GRANT	10.766		50,000
<b>TOTAL OF U.S. DEPARTMENT OF AGRICULTURE</b>			<b>180,689</b>
<b>U. S. Department of Housing and Urban Development</b>			
<i>Passed Thru Kentucky Department for Local Government</i>			
Community Development Block Grant	14.228		294,419
<b>TOTAL OF U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			<b>294,419</b>
<b>TOTAL ALL FEDERAL EXPENDITURES</b>			<b>\$ 1,360,233</b>

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

**JUNE 30, 2023**

**Note 1. Basis of Presentation**

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

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



**LEE COUNTY**  
**SCHEDULE OF CAPITAL ASSETS**  
**Other Information – Regulatory Basis**  
  
**For The Year Ended June 30, 2023**

**LEE COUNTY**  
**SCHEDULE OF CAPITAL ASSETS**  
**Other Information – Regulatory Basis**

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

The fiscal court reports the following schedule of capital assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 278,211	\$	\$	\$ 278,211
Construction In Progress	34,446			34,446
Land Improvements	362,083			362,083
Buildings	3,192,699			3,192,699
Vehicles and Equipment	3,785,883	334,060	(85,924)	4,034,019
Infrastructure	10,721,829	535,274		11,257,103
 Total Capital Assets	 <u>\$ 18,375,151</u>	 <u>\$ 869,334</u>	 <u>\$ (85,924)</u>	 <u>\$ 19,158,561</u>

**LEE COUNTY**  
**NOTES TO OTHER INFORMATION – REGULARORY BASIS**  
**SCHEDULE OF CAPITAL ASSETS**

**June 30, 2023**

**Note 1. Capital Assets**

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

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

In 2006, the fiscal court amended the policy so items could also be added to the schedule of capital assets regardless of the cost of an item or group of items that the court wants to track for inventory.

**Note 2. Construction in Progress**

Construction in progress consisted of \$34,446 for an emergency services building.

**INDEPENDENT AUDITOR'S 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***

# *Morgan and Associates, LLC*

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The Honorable Steve Mays, Lee County Judge/Executive  
The Honorable Charles Caudill, Jr., Former Lee County Judge/Executive  
Members of Lee County Fiscal Court

## **Independent Auditor's 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**

We have audited, in accordance with the 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 Lee County Fiscal Court, as of and for the year ended June 30, 2023, and the related notes to the financial statement, which collectively comprise Lee County Fiscal Court's basic financial statement, and have issued our report thereon dated January 16, 2025.

### **Report on Internal Control over Financial Reporting**

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

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

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

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

**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.

*Morgan and Associates, LLC*

Morgan and Associates, LLC  
West Liberty, Kentucky

January 16, 2025

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH THE UNIFORM GUIDANCE.**

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The Honorable Steve Mays, Lee County Judge/Executive  
The Honorable Charles Caudill, Jr., Former Lee County Judge/Executive  
Members of Lee County Fiscal Court

## **Independent Auditor's Report On Compliance For Each Major Federal Program And Report On Internal Control Over Compliance In Accordance With The Uniform Guidance.**

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

#### ***Opinion on Each Major Federal Program***

We have audited Lee County Fiscal Court's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Lee County Fiscal Court's major federal programs for the year ended June 30, 2023. Lee County Fiscal Court's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and responses.

In our opinion, Lee County Fiscal Court complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

#### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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).<sup>1</sup> 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 Lee 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 Lee County Fiscal Court's compliance with the compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

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



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

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

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Lee 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 generally accepted auditing standards, *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 Lee County Fiscal Court's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 Lee 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 Lee 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 Lee County Fiscal Court's internal control over compliance. Accordingly, no such opinion is expressed.

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

**Report on Internal Control over Compliance**

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

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

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

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 results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Morgan and Associates, LLC*

Morgan and Associates, LLC  
West Liberty, Kentucky

January 16, 2025

**LEE COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**For The Year Ended June 30, 2023**

**LEE COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

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

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

***Financial Statement***

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

Internal control over financial reporting:

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

***Federal Awards***

Internal control over major programs:

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

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
21.027	Coronavirus State and Local Fiscal Recovery Funds

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

**Section II: Financial Statement Findings**

*None*

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

*None*

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

*None*

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

**LEE COUNTY FISCAL COURT**

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

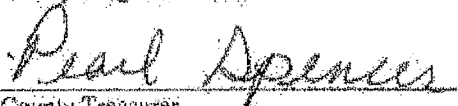
Appendix A

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

For The Fiscal Year Ended June 30, 2023

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

  
\_\_\_\_\_  
County Judge/Executive

  
\_\_\_\_\_  
County Treasurer