

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

**For The Fiscal Year Ended
June 30, 2022**

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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, 2022, 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, 2022, 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, 2022, 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.

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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), and Schedule of Capital Assets (other information) 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 July 20, 2023, 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

July 20, 2023

LEE COUNTY OFFICIALS

For The Year Ended June 30, 2022

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
Angie Williams	Assistant Treasurer
Jon Allen	EMA Director

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

For The Year Ended June 30, 2022

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

For The Year Ended June 30, 2022

	Budgeted Funds				
	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund	Federal Grant Fund
RECEIPTS					
Taxes	\$ 1,437,890	\$	\$		\$
In Lieu Tax Payments	44,333	18,629			
Excess Fees	51,084				
Licenses and Permits	21,193				
Intergovernmental	384,581	2,010,006	79,061	142,107	86,300
Charges for Services	2,040				
Miscellaneous	120,525	454,024	8,478		
Interest	67	35	4	1	
Total Receipts	<u>2,061,713</u>	<u>2,482,694</u>	<u>87,543</u>	<u>142,108</u>	<u>86,300</u>
DISBURSEMENTS					
Current:					
General Government	1,071,743				
Protection to Persons and Property	316,436		351,107		
General Health and Sanitation	39,761				36,300
Social Services	71,464				50,000
Recreation and Culture	67,758				
Roads		2,204,875			
Debt Service	42,794	363,979			
Capital Projects	322,409				
Administration	465,826	267,722	24,122		
Total Disbursements	<u>2,398,191</u>	<u>2,836,576</u>	<u>375,229</u>		<u>86,300</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(336,478)	(353,882)	(287,686)	142,108	
Other Adjustments to Cash (Uses)					
Leasing Receipts		757,340			
Transfers From Other Funds	276,375	167,551	299,000		
Transfers To Other Funds	(442,551)	(108,824)		(135,200)	
Total Other Adjustments to Cash (Uses)	<u>(166,176)</u>	<u>816,067</u>	<u>299,000</u>	<u>(135,200)</u>	
Net Change in Fund Balance	(502,654)	462,185	11,314	6,908	
Fund Balance - Beginning (Restated)	903,467	142,631	5,264	1,020	
Fund Balance - Ending	<u>\$ 400,813</u>	<u>\$ 604,816</u>	<u>\$ 16,578</u>	<u>\$ 7,928</u>	<u>\$ 0</u>
Composition of Fund Balance					
Bank Balance	\$ 311,821	\$ 750,541	\$ 16,578	\$ 7,928	
Plus: Deposits in Transit	108,823	275			
Less: Outstanding Checks	(19,831)	(146,000)			
Fund Balance - Ending	<u>\$ 400,813</u>	<u>\$ 604,816</u>	<u>\$ 16,578</u>	<u>\$ 7,928</u>	<u>\$ 0</u>

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, 2022
(Continued)

	Budgeted Funds				
	Ambulance Fund	Solid Waste Fund	Acohol Beverage Control Fund	American Rescue Plan Act Fund	Total Funds
RECEIPTS					
Taxes	\$	\$	\$ 7,180	\$	\$ 1,445,070
In Lieu Tax Payments					62,962
Excess Fees					51,084
Licenses and Permits					21,193
Intergovernmental	10,000	19,748		718,973	3,450,776
Charges for Services	621,944	522,159			1,146,143
Miscellaneous	118,235	75,986	10,502		787,750
Interest	7	37		39	190
Total Receipts	750,186	617,930	17,682	719,012	6,965,168
DISBURSEMENTS					
Current:					
General Government					1,071,743
Protection to Persons and Property	794,910			50,535	1,512,988
General Health and Sanitation		730,918			806,979
Social Services					121,464
Recreation and Culture					67,758
Roads					2,204,875
Debt Service		20,090			426,863
Capital Projects					322,409
Administration	252,787	117,179		487,143	1,614,779
Total Disbursements	1,047,697	868,187		537,678	8,149,858
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(297,511)	(250,257)	17,682	181,334	(1,184,690)
Other Adjustments to Cash (Uses)					
Leasing Receipts		280,000			1,037,340
Transfers From Other Funds	111,200				854,126
Transfers To Other Funds				(167,551)	(854,126)
Total Other Adjustments to Cash (Uses)	111,200	280,000		(167,551)	1,037,340
Net Change in Fund Balance	(186,311)	29,743	17,682	13,783	(147,350)
Fund Balance - Beginning (Restated)	227,240	139,940	6,202		1,425,764
Fund Balance - Ending	\$ 40,929	\$ 169,683	\$ 23,884	\$ 13,783	\$ 1,278,414
Composition of Fund Balance					
Bank Balance	\$ 41,766	\$ 169,683	\$ 23,884	\$ 64,318	\$ 1,386,519
Plus: Deposits in Transit	711				109,809
Less: Outstanding Checks	(1,548)			(50,535)	(217,914)
Fund Balance - Ending	\$ 40,929	\$ 169,683	\$ 23,884	\$ 13,783	\$ 1,278,414

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, 2022

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.

LEE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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.

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, 2022, 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.

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, 2022
(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, 2022
(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.

Multi-County Recreational Board, Inc.

On May 14, 2013 the Counties of Estill, Lee, Powell and Wolfe (the participating counties) entered in to an Inter-local Cooperation Agreement in order to jointly provide for recreational, economic development, alternative transportation, environmental, safety and quality of life resources in the communities. The Multi-County Recreational Board, Inc. entered into two (2) leases for land to establish a Multi-County ATV Park, the first lease is for 400 acres at a price of \$12,198 annually; the second lease is for 2023 acres of land at a price of \$61,502 annually. Lee County is responsible for one-fourth of the annual payments, totaling \$18,425 for the two leases. The Multi-County Recreational Board, Inc. has the option to purchase the property after seven (7) years with 100% of the rental payments applied to the purchase price.

The costs associated with the implementation of the authorities outlined in the agreement are to be borne as follows: Participating government jurisdictions will pay a fee of \$500 on January 1st of each year to cover the direct costs. All indirect costs associated with a specific jurisdiction will be paid by the local government whose project or program is directly benefited. Any matching of grants or funding will be borne by the jurisdiction or jurisdictions that the funds will benefit; if the grant funds are for the entire membership a pro-rata determination for the match will be decided by membership before the funds are requested. The Recreational Board has the right to apply reasonable charges or fees and the selling of recreational permits for funding and maintenance of the projects within the adopted Multi-County Recreational Board Development Plan.

LEE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Joint Venture (Continued)

Multi-County Recreational Board, Inc. (Continued)

The Multi-County Recreational Board, Inc. is comprised of a twelve-member board of directors. Each of the participating counties appoints three members to the board.

Note 2. Deposits

The fiscal court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC 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 KRS 41.240(4). As of June 30, 2022, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Long-Term Debt

Direct Borrowings or Direct Placements

A. Courthouse Repairs

In October 2016, Lee County Fiscal Court entered into a lease agreement for \$80,000 with Kentucky Association of Counties Leasing Trust Program for courthouse repairs. The lease is secured by the project. The terms of the agreement stipulate a sixty-month repayment schedule of yearly principal and interest payments with variable interest rates to end in October 2021. As of June 30, 2022, the principal was paid in full.

B. 2022 Trucks

In March 2021, Lee County Fiscal Court entered into a financing obligation agreement for \$292,894 with the Kentucky Farmers Bank to purchase 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 principal and interest due in September 2022 at an interest rate of 2.90 percent. As of June 30, 2022, the principal was paid in full.

C. 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.

LEE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 3. Long-Term Debt (Continued)

Direct Borrowings or Direct Placements (Continued)

C. 2023 Trucks (Continued)

Whenever any Event of Default has occurred and its continuing, the Lessor may, without any further demand or notice, take one of any combination of the following remedial steps: (a) Terminate the Lease Term and give notice to the Lessee to vacate or surrender the equipment within sixty (60) days from the date of such notice; (b) Exercise all the rights and remedies of a secured party under the Kentucky Uniform Commercial Code with respect to the Equipment and may otherwise repossess and liquidate or realize or foreclose upon the Equipment in lawful manner; provided, however, that the Lessor may not recover from the Lessee any deficiency which may exist following the liquidation of such property; (c) Sell or re-lease the Project or any portion thereof; (d) Recover from the Lessee: (1) the Equipment payments which would otherwise have been payable hereunder during any period in which the Lessee continues to use, occupy or retain possession of the Equipment; and (2) Equipment payments which would otherwise have been payable by the Lessee hereunder after the LESSEE vacates or surrenders the Equipment during the remainder of the Fiscal Year in which such Event of Default occurs.

The outstanding principal as of June 30, 2022 was \$357,340. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2023	\$	\$ 13,662
2024	<u>357,340</u>	<u>6,682</u>
Totals	<u>\$ 357,340</u>	<u>\$ 20,344</u>

D. 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 was \$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.

LEE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 3. Long-Term Debt (Continued)

Direct Borrowings or Direct Placements (Continued)

D. Flood Relief (Continued)

The outstanding principal as of June 30, 2022 was \$300,000. Future principal and interest requirements are:

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Scheduled</u> <u>Interest</u>
2023	\$ 55,605	\$ 10,273
2024	57,720	8,158
2025	59,916	5,961
2026	62,196	3,682
2027	64,563	1,315
Totals	<u>\$ 300,000</u>	<u>\$ 29,389</u>

E. 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.

LEE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 3. Long-Term Debt (Continued)

Direct Borrowings or Direct Placements (Continued)

E. Flood Repairs (Continued)

The outstanding principal as of June 30, 2022 was \$390,238. Future principal and interest requirements are:

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Scheduled</u> <u>Interest</u>
2023	\$ 129,985	\$ 11,088
2024	133,925	6,673
2025	126,328	2,124
Totals	\$ 390,238	\$ 19,885

F. 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, 2022 was \$263,139. Future principal and interest requirements are:

LEE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 3. Long-Term Debt (Continued)

Direct Borrowings or Direct Placements (Continued)

F. Garbage Trucks (Continued)

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2023	\$ 53,500	\$ 6,769
2024	55,025	5,245
2025	56,617	3,228
2026	58,243	2,026
2027	39,754	475
Totals	<u>\$ 263,139</u>	<u>\$ 17,743</u>

G. Long-term Debt Maturity in the Aggregate

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2023	\$ 239,090	\$ 41,792
2024	604,010	26,758
2025	242,861	11,313
2026	120,439	5,708
2027	104,317	1,790
Totals	<u>\$ 1,310,717</u>	<u>\$ 87,361</u>

H. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2022, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Direct Borrowings or Direct Placements	<u>\$ 598,745</u>	<u>\$ 1,037,340</u>	<u>\$ 325,368</u>	<u>\$ 1,310,717</u>	<u>\$ 239,090</u>
Total Long-term Debt	<u>\$ 598,745</u>	<u>\$ 1,037,340</u>	<u>\$ 325,368</u>	<u>\$ 1,310,717</u>	<u>\$ 239,090</u>

LEE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 4. Transfers

The table below shows the interfund operating transfers for fiscal year 2022.

	General Fund	Road Fund	LGEA Fund	ARPA Fund	Total Transfers In
General Fund	\$	\$ 108,830	\$	\$ 167,551	\$ 276,381
Road Fund	167,551				167,551
Jail Fund	185,000		114,000		299,000
Ambulance Fund	90,000		21,200		111,200
Total Transfers Out	<u>\$ 442,551</u>	<u>\$ 108,830</u>	<u>\$ 135,200</u>	<u>\$ 167,551</u>	<u>\$ 854,132</u>

Reason for transfers:

To move resources from and to the General Fund and other funds, for budgetary purposes, to the funds that will expend them.

Note 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 CERS Board of Trustees under the administrative guidance of the Kentucky Public Pension Authority (KPPA). 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.

The county's contribution for the FY 2020 was \$314,815, the FY 2021 was \$425,730, and the FY 2022 was \$508,513.

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.

LEE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 5. Employee Retirement System (Continued)

The county's contribution rate for nonhazardous employees was 26.95 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:

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

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

Benefits are covered under KRS 78.5536.

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

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

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

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

C. Cost of Living Adjustments – Tier 1

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

LEE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 5. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

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

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

E. Death Benefit

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

KPPA Annual Financial Report and Proportionate Share Audit Report

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

KPPA also issues a proportionate share audit report that includes the 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, 2022, 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 July 20, 2023, 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 \$200 for a voided check.

LEE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

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. Payments made on the lease are reflected in the Road Fund debt service.

B. 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 (See Note 4E). 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. Payments made on the lease are reflected in the Road Fund debt service.

C. John Deere Trackhoe

In September 202, 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, 2022 was \$101,442. Future principal and interest requirements are:

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Scheduled</u> <u>Interest</u>
2023	\$ 33,814	\$ 3,804
2024	33,814	3,804
2025	33,814	3,804
Totals	<u>\$ 101,442</u>	<u>\$ 11,412</u>

LEE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information – Regulatory Basis

For The Year Ended June 30, 2022

LEE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information – Regulatory Basis

For The Year Ended June 30, 2022

GENERAL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,437,086	\$ 1,437,086	\$ 1,437,890	\$ 804
In Lieu Tax Payments	32,800	32,800	44,333	11,533
Excess Fees	26,877	51,084	51,084	0
Licenses and Permits	20,000	20,000	21,193	1,193
Intergovernmental	294,638	317,638	384,581	66,943
Charges for Services			2,040	2,040
Miscellaneous	61,390	61,390	120,525	59,135
Interest	30	30	67	37
Total Receipts	1,872,821	1,920,028	2,061,713	141,685
DISBURSEMENTS				
General Government	926,924	1,124,375	1,071,743	52,632
Protection to Persons and Property	314,387	326,506	316,436	10,070
General Health and Sanitation	36,309	42,570	39,761	2,809
Social Services	50,116	82,254	71,464	10,790
Recreation and Culture	68,928	70,734	67,758	2,976
Debt Service	42,796	42,796	42,794	2
Capital Projects	223,000	325,026	322,409	2,617
Administration	613,681	477,872	465,826	12,046
Total Disbursements	2,276,141	2,492,133	2,398,191	93,942
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)				
	(403,320)	(572,105)	(336,478)	235,627
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			276,375	276,375
Transfers To Other Funds	(320,780)	(320,780)	(442,551)	(121,771)
Total Other Adjustments to Cash (Uses)	(320,780)	(320,780)	(166,176)	154,604
Net Change in Fund Balance				
	(724,100)	(892,885)	(502,654)	390,231
Fund Balance - Beginning (Restated)	724,100	902,885	903,467	582
Fund Balance - Ending				
	\$ 0	\$ 10,000	\$ 400,813	\$ 390,813

LEE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information – Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

ROAD FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
In Lieu Tax Payments	\$ 10,000	\$ 10,000	\$ 18,629	\$ 8,629
Intergovernmental	1,121,978	1,715,490	2,010,006	294,516
Miscellaneous	269,300	269,300	454,024	184,724
Interest	30	30	35	5
Total Receipts	1,401,308	1,994,820	2,482,694	487,874
DISBURSEMENTS				
Roads	869,199	2,402,392	2,204,875	197,517
Debt Service	353,545	373,578	363,979	9,599
Administration	248,564	285,741	267,722	18,019
Total Disbursements	1,471,308	3,061,711	2,836,576	225,135
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(70,000)	(1,066,891)	(353,882)	713,009
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			167,551	167,551
Transfers To Other Funds			(108,824)	(108,824)
Leasing Receipts		757,340	757,340	0
Total Other Adjustments to Cash (Uses)		757,340	816,067	58,727
Net Change in Fund Balance	(70,000)	(309,551)	462,185	771,736
Fund Balance - Beginning	70,000	142,000	142,631	631
Fund Balance - Ending	\$ 0	\$ (167,551)	\$ 604,816	\$ 772,367

LEE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information – Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 76,362	\$ 76,362	\$ 79,061	\$ 2,699
Miscellaneous			8,478	8,478
Interest	10	10	4	(6)
Total Receipts	76,372	76,372	87,543	11,171
DISBURSEMENTS				
Protection to Persons and Property	310,269	376,069	351,107	24,962
Administration	26,535	30,735	24,122	6,613
Total Disbursements	336,804	406,804	375,229	31,575
Excess (Deficiency) of Receipts Over Adjustments to Cash (Uses)	(260,432)	(330,432)	(287,686)	42,746
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	255,432	255,432	299,000	43,568
Total Other Adjustments to Cash (Uses)	255,432	255,432	299,000	43,568
Net Change in Fund Balance	(5,000)	(75,000)	11,314	86,314
Fund Balance - Beginning	5,000	5,000	5,264	264
Fund Balance - Ending	\$ 0	\$ (70,000)	\$ 16,578	\$ 86,578

LEE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information – Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 149,000	\$ 149,000	\$ 142,107	\$ (6,893)
Interest	10	10	1	(9)
Total Receipts	149,010	149,010	142,108	(6,902)
DISBURSEMENTS				
Protection to Person and Property	110	110		110
Total Disbursements	110	110		110
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	148,900	148,900	142,108	(6,792)
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(149,000)	(149,000)	(135,200)	13,800
Total Other Adjustments to Cash (Uses)	(149,000)	(149,000)	(135,200)	13,800
Net Change in Fund Balance	(100)	(100)	6,908	7,008
Fund Balance - Beginning	100	100	1,020	920
Fund Balance - Ending	\$ 0	\$ 0	\$ 7,928	\$ 7,928

LEE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information – Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

FEDERAL GRANT FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 455,000	\$ 655,000	\$ 86,300	\$ (568,700)
Total Receipts	455,000	655,000	86,300	(568,700)
DISBURSEMENTS				
General Health and Sanitation	455,000	455,000	36,300	418,700
Social Services		200,000	50,000	150,000
Total Disbursements	455,000	655,000	86,300	568,700
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, 2022
(Continued)

AMBULANCE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 10,000	\$ 10,000	\$ 10,000	\$ 0
Charges For Services	616,860	616,860	621,944	5,084
Miscellaneous		82,000	118,235	36,235
Interest	10	10	7	(3)
Total Receipts	626,870	708,870	750,186	41,316
DISBURSEMENTS				
Protection to Persons and Property	679,115	811,227	794,910	16,317
Administration	286,229	261,117	252,787	8,330
Total Disbursements	965,344	1,072,344	1,047,697	24,647
Excess (Deficiency) of Receipts Over Adjustments to Cash (Uses)	(338,474)	(363,474)	(297,511)	65,963
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	214,348	214,348	111,200	(103,148)
Total Other Adjustments to Cash (Uses)	214,348	214,348	111,200	(103,148)
Net Change in Fund Balance	(124,126)	(149,126)	(186,311)	(37,185)
Fund Balance - Beginning	124,126	209,126	227,240	18,114
Fund Balance - Ending	\$ 0	\$ 60,000	\$ 40,929	\$ (19,071)

LEE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information – Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

SOLID WASTE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$	\$ 19,748	\$ 19,748	\$ 0
Charges for Services	519,600	519,600	522,159	2,559
Miscellaneous	200	200	75,986	75,786
Interest	20	20	37	17
Total Receipts	519,820	539,568	617,930	78,362
DISBURSEMENTS				
General Health and Sanitation	452,560	782,217	730,918	51,299
Debt Service		22,800	20,090	2,710
Administration	139,232	125,524	117,179	8,345
Total Disbursements	591,792	930,541	868,187	62,354
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(71,972)	(390,973)	(250,257)	140,716
Other Adjustments to Cash (Uses)				
Solid Waste Truck Lease		280,000	280,000	0
Total Other Adjustments to Cash (Uses)		280,000	280,000	0
Net Change in Fund Balance	(71,972)	(110,973)	29,743	140,716
Fund Balance - Beginning (Restated)	71,972	110,973	139,940	28,967
Fund Balance - Ending	\$ 0	\$ 0	\$ 169,683	\$ 169,683

LEE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information – Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

ALCOHOL BEVERAGE CONTROL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$	\$	\$ 7,180	\$ 7,180
Miscellaneous	3,000	3,000	10,502	7,502
Total Receipts	3,000	3,000	17,682	14,682
DISBURSEMENTS				
Administration	9,195	9,195		9,195
Total Disbursements	9,195	9,195		9,195
Net Change in Fund Balance	(6,195)	(6,195)	17,682	23,877
Fund Balance - Beginning	6,195	6,195	6,202	7
Fund Balance - Ending	\$ 0	\$ 0	\$ 23,884	\$ 23,884

LEE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information – Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

AMERICAN RESCUE PLAN ACT FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,437,946	\$ 1,437,946	\$ 718,973	\$ (718,973)
Interest			39	39
Total Receipts	1,437,946	1,437,946	719,012	(718,934)
DISBURSEMENTS				
Protection of Persons and Property		58,415	50,535	7,880
Administration	1,437,946	1,211,980	487,143	724,837
Total Disbursements	1,437,946	1,270,395	537,678	732,717
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		167,551	181,334	13,783
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(167,551)	(167,551)
Total Other Adjustments to Cash (Uses)	0	0	(167,551)	(167,551)
Net Change in Fund Balance		167,551	13,783	(153,768)
Fund Balance - Beginning				0
Fund Balance - Ending	\$ 0	\$ 167,551	\$ 13,783	\$ (153,768)

LEE COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION – BUDGETARY COMPARISON SCHEDULES

June 30, 2022

Note 1. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the *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
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2022

LEE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2022

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity's Identifying Number</u>	<u>Total Federal Expenditures</u>
US DEPARTMENT OF HOMELAND SECURITY			
<i>Passed Thru Kentucky Emergency Management</i>			
EMA SALARY/OTHER REIMB	97.042	SC0952100000-605	\$ 2,935
EMA SALARY/OTHER REIMB	97.042	SC0952200000-589	8,806
<i>Passed Thru Kentucky Emergency Management</i>			
DECLARATION 4595 PUBLIC ASST GRANT	97.036		798,374
<i>Passed Thru State Set-Aside Committee EFSP</i>		345000-001	
EFSP PROGRAM	97.024		<u>18,443</u>
TOTAL OF US DEPARTMENT OF HOMELAND SECURITY			828,558
US DEPARTMENT OF TREASURY			
<i>Passed Thru Kentucky State Department Of Treasury</i>		61-6083598	
CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		<u>705,229</u>
TOTAL OF US DEPARTMENT OF TREASURY			705,229
US DEPARTMENT OF JUSTICE			
<i>Passed Thru Kentucky Office of Attorney General</i>		2017-AR-BX-K003	
COMPREHENSIVE OPIOID ABUSE SITE-BASED PROGAM	16.838		<u>18,908</u>
TOTAL OF US DEPARTMENT OF JUSTICE			18,908
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Thru Kentucky Department for Local Government</i>			
COMMUNITY DEVELOPMENT BLOCK GRANT	14.228	Unknown	
CRYSTAL CREEK SUB PROJCT			36,300
UTILITIES ASSISTANCE PROJECT			<u>50,000</u>
TOTAL OF DEPARTMENT HOUSING AND URBAN DEVELOPMENT			<u>86,300</u>
TOTAL ALL FEDERAL EXPENDITURES			<u>\$ 1,638,995</u>

LEE COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2022

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, 2022. 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, 2022

LEE COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information – Regulatory Basis

For The Year Ended June 30, 2022

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	3,679,710	577,255	(471,082)	3,785,883
Infrastructure	9,780,411	941,418		10,721,829
 Total Capital Assets	 <u>\$ 17,327,560</u>	 <u>\$ 1,518,673</u>	 <u>\$ (471,082)</u>	 <u>\$ 18,375,151</u>

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

June 30, 2022

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, 2022, 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 July 20, 2023.

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

July 20, 2023

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

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 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, 2022. 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, 2022.

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).¹ 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

July 20, 2023

**LEE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2022

**LEE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2022

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>
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disaster)

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

**LEE COUNTY
SCHEDULE OF FINDINGS AND RESPPONSES**

Fiscal Year Ended June 30, 2022

Section II: Financial Statement Findings

State Laws and Regulations

None

Internal Control - Material Weaknesses

None

Internal Control - Significant Deficiencies

None

Section III: Federal Award Findings And Questioned Costs

None

Section IV: Summary Schedule of Prior Audit Findings

<u>Finding Number</u>	<u>Prior Year Finding Title</u>	<u>Status</u>	<u>Corrective Action</u>
2021-001	The Lee County Fiscal Court Does Not Have Adequate Internal Controls Over Disbursements	Resolved	

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

LEE COUNTY FISCAL COURT

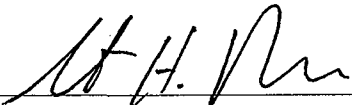
**For The Fiscal Year Ended
June 30, 2022**

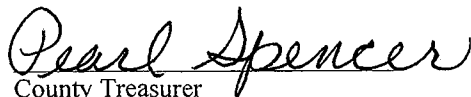
Appendix A

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

For The Fiscal Year Ended June 30, 2022

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