REPORT OF THE AUDIT OF THE LEE COUNTY FISCAL COURT

For The Year Ended June 30, 2025

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

Independent Auditor's Report

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

Report on the Audit of the Financial Statement

Opinions

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances – Regulatory Basis of the Lee County Fiscal Court, for the year ended June 30, 2025, 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 accompanying 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, 2025, in accordance with accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Lee County Fiscal Court, for the year ended June 30, 2025, or the changes in financial position and cash flows thereof for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, and the *Fiscal Court Audit Guide* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the 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 opinions.

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

As described in Note 1 of the financial statement, the financial statement is prepared by the 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 statements, 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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Lee County Fiscal Court's internal control. Accordingly, no such opinion is expressed.

To the People of Kentucky
The Honorable Andy Beshear, Governor
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Finance and Administration Cabinet
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Members of the Lee County Fiscal Court

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

The accompanying Budgetary Comparison Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedules are fairly stated in all material respects in relation to the financial statement as a whole.

Other Information

Management is responsible for the other information included in this report. The other information is comprised of the schedule of capital assets but does not include the financial statement and our auditor's report thereon. Our opinions on the financial statement do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statement, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statement, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

To the People of Kentucky
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Holly M. Johnson, Secretary
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Members of the Lee County Fiscal Court

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2026, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lee County Fiscal Court's internal control over financial reporting and compliance.

Respectfully submitted,

Allison Ball

Allison Ball
Auditor of Public Accounts
Frankfort, Ky

June 15, 2026

LEE COUNTY OFFICIALS

For The Year Ended June 30, 2025

Fiscal Court Members:

Steve Mays	County Judge/Executive
Timothy Brandenburg	Magistrate
Dean Noe	Magistrate
Rodney Ross	Magistrate
Dennis Pelfrey	Magistrate

Other Elected Officials:

Thomas Hollon	County Attorney
Justin Shuler	Jailer
Kimberly Noe	County Clerk
Tyler Phillips	Circuit Court Clerk
Joseph Lucas	Sheriff
Elizabeth Roach	Property Valuation Administrator
Joshua Hagan	Coroner

Appointed Personnel:

Pearl Spencer	County Treasurer
Jodi Coldiron	Chief Financial Officer

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

For The Year Ended June 30, 2025

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

For The Year Ended June 30, 2025

	Budgeted Funds			
	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund
RECEIPTS				
Taxes	$ 1,663,380	$	$	$
In Lieu Tax Payments	49,215	1,857		
Excess Fees	1,735			
Licenses and Permits	21,284			
Intergovernmental	5,887,130	2,120,724	99,733	107,728
Charges for Services	1,454			
Miscellaneous	178,620	348,119		
Interest	11,928	5,533	392	110
Total Receipts	7,814,746	2,476,233	100,125	107,838
DISBURSEMENTS				
General Government	1,282,812			
Protection to Persons and Property	874,619		363,986	
General Health and Sanitation	38,056			
Social Services	58,043			
Recreation and Culture	108,261			
Roads		2,851,279		
Debt Service	113,303	688,046		
Capital Projects	201,720			
Administration	1,229,059	336,520	27,324	
Total Disbursements	3,905,873	3,875,845	391,310	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	3,908,873	(1,399,612)	(291,185)	107,838
Other Adjustments to Cash (Uses)				
Governmental Leasing Act Receipts		417,580		
Change in Payroll Revolving Account	(5,457)			
Transfers From Other Funds	165,000	1,125,000	276,000	
Transfers To Other Funds	(1,333,200)	(150,000)		(107,800)
Total Other Adjustments to Cash (Uses)	(1,173,657)	1,392,580	276,000	(107,800)
Net Change in Fund Balance	2,735,216	(7,032)	(15,185)	38
Fund Balance - Beginning (Restated)	571,846	57,121	24,557	137
Fund Balance - Ending	$ 3,307,062	$ 50,089	$ 9,372	$ 175
Composition of Fund Balance				
Bank Balance	$ 2,320,095	$ 52,816	$ 9,372	$ 175
Payroll Revolving Account Reconciled Balance	2,918			
Less: Outstanding Checks	(15,951)	(2,727)		
Certificates of Deposit	1,000,000			
Fund Balance - Ending	$ 3,307,062	$ 50,089	$ 9,372	$ 175

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, 2025
(Continued)

Budgeted Funds						
Federal Monies Fund	**Ambulance Fund**	**Solid Waste Fund**	**Alcohol Beverage Control Fund**	**County Clerk's Storage Fee Fund**	**Opioid Settlement Fund**	**Total Funds**
$	$ 398,176	$	$	$	$	$ 2,061,556
						51,072
						1,735
			2,200			23,484
	10,000	21,580				8,246,895
	682,884	639,690				1,324,028
	156,683	21,845	13,387	9,510	64,331	792,495
	1,786	597	103	297	1,420	22,166
	1,249,529	683,712	15,690	9,807	65,751	12,523,431
				1,470		1,284,282
	969,090				43,556	2,251,251
		543,676			10,000	591,732
						58,043
						108,261
						2,851,279
	34,574	54,470				890,393
						201,720
	316,531	113,703				2,023,137
	1,320,195	711,849		1,470	53,556	10,260,098
	(70,666)	(28,137)	15,690	8,337	12,195	2,263,333
						417,580
						(5,457)
	34,575	40,000				1,640,575
			(15,000)		(34,575)	(1,640,575)
	34,575	40,000	(15,000)		(34,575)	412,123
	(36,091)	11,863	690	8,337	(22,380)	2,675,456
	124,996	21,389	22,944	18,490	111,580	953,060
$ 0	$ 88,905	$ 33,252	$ 23,634	$ 26,827	$ 89,200	$ 3,628,516
$	$ 92,428	$ 37,604	$ 23,634	$ 26,827	$ 89,200	$ 2,652,151
						2,918
	(3,523)	(4,352)				(26,553)
						1,000,000
$ 0	$ 88,905	$ 33,252	$ 23,634	$ 26,827	$ 89,200	$ 3,628,516

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

INDEX FOR NOTES
TO THE FINANCIAL STATEMENT

LEE COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2025

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

B. Basis of Accounting

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

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

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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

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 Monies 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.

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.

D. Budgetary Information

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

E. Lee County Elected Officials

Kentucky law provides for election of the officials listed 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 the 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 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

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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

H. Joint Ventures (Continued)

Three Forks Regional Jail (Continued)

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of DLG's *County Budget Preparation and State Local Finance Officer Policy Manual*. As of June 30, 2025, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

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

Note 3. Transfers

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

	General Fund	Road Fund	LGEA Fund	ABC Fund	Opioid Settlement Fund	Total Transfers In
General Fund	$	$ 150,000	$	$ 15,000	$	$ 165,000
Road Fund	1,125,000					1,125,000
Jail Fund	168,200		107,800			276,000
Ambulance Fund					34,575	34,575
Solid Waste Fund	40,000					40,000
Total Transfers Out	$ 1,333,200	$ 150,000	$ 107,800	$ 15,000	$ 34,575	$ 1,640,575

Reason for transfers:

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

Note 4. Commitments – Lease Agreements

A. Leases – Lessor

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

Description	Effective Date	Length of Term	Frequency of Payments	Ending Date	Amount of Payments	Balance June 30, 2025
AOC	7/1/2024	1 year	Quarterly	6/30/2025	$ 23,749	$ 0
Commonwealth of KY	7/1/2024	3 years	Quarterly	6/30/2027	$ 15,477	$ 123,816
Library Space	3/14/2023	45 months	Monthly	12/31/2026	$ 600	$ 11,400
Office Space	6/1/2025	1 year	Monthly	5/1/2026	$ 570	$ 5,700

B. Leases – Lessee

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

Description	Effective Date	Length of Term	Frequency of Payments	Ending Date	Amount of Payments	Balance June 30, 2025
Copier	4/26/2021	63 months	Monthly	6/26/2026	$ 118	$ 1,416
Copier	2/13/2023	63 months	Monthly	5/23/2028	$ 136	$ 4,748
Grader	3/16/2023	60 months	Monthly	2/16/2028	$ 3,838	$ 122,817
Backhoe	4/21/2023	60 months	Monthly	3/21/2028	$ 2,002	$ 66,050

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

Note 5. Long-term Debt

A. Direct Borrowings and Direct Placements

1. 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 15 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 obligations assumed by the lessee in this agreement; (b) the lessee makes an assignment for the benefit of creditors, or is subject to an 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 asses, any may otherwise repossess and liquidate or realize foreclose upon the projects 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 similar default subsequently occurring.

The outstanding principal as of June 30, 2025, was $126,759. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2026	$ 62,196	$ 3,682
2027	64,563	1,315
Totals	$ 126,759	$ 4,997

2. Garbage Trucks

In January 2022, the 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 60month 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, the 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 the lessee, enter and take immediate possession of the project;

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

Note 5. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

2. Garbage Trucks (Continued)

(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 the lessee, holding the 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 the lessor by applicable law.

The 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 the 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, 2025, was $88,567. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2026	$ 52,638	$ 1,831
2027	35,929	385
Totals	$ 88,567	$ 2,216

3. Flood Repairs

In May 2022, the 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.

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

Note 5. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

3. Flood Repairs (Continued)

Upon the occurrence of an event of default, and as long as the event of default is continuing, the 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 the lessee, enter and take immediate possession of the project; (c) sell or lease the project or sublease it for the account of the lessee, holding the 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 the 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 the lessor by applicable law. The 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. As of June 30, 2025, this was paid off.

4. Roof and HVAC Project

On August 8, 2023, the Lee County Fiscal Court entered into a lease agreement with Kentucky Association of Counties in the amount of $240,000 for the purpose of the acquisition, construction, installation and equipping of HVAC improvements and a new roof. The agreement requires monthly principal and interest payments to be paid in full on December 29, 2029. In case of default, the amount outstanding may become due immediately and legal remedies may be pursued. As of June 30, 2025, the principal amount outstanding was $177,500. Debt service requirements for the remaining years are as follows:

Fiscal Year Ended June 30	Principal	Schedulued Interest
2026	$ 37,500	$ 10,535
2027	40,000	8,510
2028	40,000	6,350
2029	40,000	4,190
2030	20,000	1,555
Totals	$ 177,500	$ 31,140

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

Note 5. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

5. Tractor

On September 14, 2023, the Lee County Fiscal Court entered into a lease agreement with Kentucky Association of Counties in the amount of $131,100 for the purpose of the acquisition of two tractors. The agreement requires monthly principal and interest payments to be paid in full on September 20, 2028. In case of default, the amount outstanding may become due immediately and legal remedies may be pursued.

As of June 30, 2025, the principal amount outstanding was $89,399. Debt service requirements for the remaining years are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2026	$ 25,860	$ 5,126
2027	27,291	3,376
2028	28,802	1,530
2029	7,446	82
Totals	$ 89,399	$ 10,114

6. Trucks

On June 5, 2025 , the Lee County Fiscal Court entered into a lease agreement with Kentucky Association of Counties in the amount of $417,580 for the purpose of the acquisition of two trucks. The agreement requires monthly principal and interest payments to be paid in full on December 20, 2026. In case of default, the amount outstanding may become due immediately and legal remedies may be pursued.

As of June 30, 2025, the principal amount outstanding was $417,580. Debt service requirements for the remaining years are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2026	$	$ 23,283
2027	417,580	10,855
Totals	$ 417,580	$ 34,138

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

Note 5. Long-term Debt (Continued)

B. Changes In Long-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	$ 1,185,800	$ 417,580	$ 703,575	$ 899,805	$ 178,194
Total Long-term Debt	$ 1,185,800	$ 417,580	$ 703,575	$ 899,805	$ 178,194

C. Aggregate Debt Schedule

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

	Direct Borrowings and Direct Placements	
Fiscal Year Ended June 30	Principal	Interest
2026	$ 178,194	$ 44,457
2027	585,363	24,441
2028	68,802	7,880
2029	47,446	4,272
2030	20,000	1,555
Totals	$ 899,805	$ 82,605

Note 6. Employee Retirement System

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

The county's contribution for FY 2023 was $554,700, FY 2024 was $552,536, and FY 2025 was $493,425.

Nonhazardous

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

Note 6. Employee Retirement System (Continued)

Nonhazardous (Continued)

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own accounts. Nonhazardous covered employees contribute 5% of their annual creditable compensation. Nonhazardous members also contribute 1% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by CERS Board of Trustees based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

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

The county's contribution rate for nonhazardous employees was 19.71%.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn $10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Benefits are covered under KRS 78.5536.

Note 6. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

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

Once members reach a minimum vesting period of 15 years, they earn $10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually by 1.5%. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

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 Ky. Ret. Sys. benefits. During the 2008 Special Session, the General Assembly determined that each July beginning in 2009, retirees who have been receiving a retirement allowance for at least 12 months will receive an automatic COLA of 1.5%. The COLA is not a guaranteed benefit. If a retiree has been receiving a benefit for less than 12 months, and a COLA is provided, it will be prorated based on the number of months the recipient has been receiving a benefit.

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

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

E. Death Benefit

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

F. Annual Financial Report and Proportionate Share Audit Report

KPPA issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Public Pensions Authority, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646. Some reports may also be obtained online at https://kyret.ky.gov.

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

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

Note 7. Insurance

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

Note 8. Payroll Revolving Account

The reconciled balance of the payroll revolving account as of June 30, 2025, was added to the General Fund cash balance for financial reporting purposes. The total reconciled balance added to the cash balance was $2,918.

Note 9. Prior Year Adjustments

The prior year ending fund balance was increased due to prior year voided checks in the General Fund by $8,000, Ambulance Fund by $143, and Solid Waste Fund by $38.

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LEE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2025

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LEE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2025

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	$ 1,482,500	$ 1,482,500	$ 1,663,380	$ 180,880
In Lieu Tax Payments	46,000	46,000	49,215	3,215
Excess Fees	33,500	33,500	1,735	(31,765)
Licenses and Permits	21,000	21,000	21,284	284
Intergovernmental	900,388	5,910,892	5,887,130	(23,762)
Charges for Services	900	900	1,454	554
Miscellaneous	73,708	73,708	178,620	104,912
Interest	10,000	10,000	11,928	1,928
Total Receipts	2,567,996	7,578,500	7,814,746	236,246
DISBURSEMENTS				
General Government	1,236,556	1,419,753	1,282,812	136,941
Protection to Persons and Property	794,780	972,874	874,619	98,255
General Health and Sanitation	38,600	41,100	38,056	3,044
Social Services	61,860	70,940	58,043	12,897
Recreation and Culture	100,960	122,509	108,261	14,248
Debt Service	113,305	114,305	113,303	1,002
Capital Projects		214,985	201,720	13,265
Administration	612,955	4,331,637	1,229,059	3,102,578
Total Disbursements	2,959,016	7,288,103	3,905,873	3,382,230
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(391,020)	290,397	3,908,873	3,618,476
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	15,000	15,000	165,000	150,000
Transfers To Other Funds	(113,980)	(113,980)	(1,333,200)	(1,219,220)
Total Other Adjustments to Cash (Uses)	(98,980)	(98,980)	(1,168,200)	(1,069,220)
Net Change in Fund Balance	(490,000)	191,417	2,740,673	2,549,256
Fund Balance - Beginning (Restated)	490,000	563,000	563,471	471
Fund Balance - Ending	$ 0	$ 754,417	$ 3,304,144	$ 2,549,727

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

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
In Lieu Tax Payments	$ 16,000	$ 16,000	$ 1,857	$ (14,143)
Intergovernmental	1,596,713	1,757,369	2,120,724	363,355
Miscellaneous	450,300	786,300	348,119	(438,181)
Interest	3,952	3,952	5,533	1,581
Total Receipts	2,066,965	2,563,621	2,476,233	(87,388)
DISBURSEMENTS				
Roads	1,329,639	2,863,946	2,851,279	12,667
Debt Service	679,659	688,369	688,046	323
Administration	282,667	340,400	336,520	3,880
Total Disbursements	2,291,965	3,892,715	3,875,845	16,870
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(225,000)	(1,329,094)	(1,399,612)	(70,518)
Other Adjustments to Cash (Uses)				
Governmental Leasing Act Receipts		417,580	417,580	
Transfers From Other Funds			1,125,000	1,125,000
Transfers To Other Funds			(150,000)	(150,000)
Total Other Adjustments to Cash (Uses)		417,580	1,392,580	975,000
Net Change in Fund Balance	(225,000)	(911,514)	(7,032)	904,482
Fund Balance - Beginning	225,000	225,000	57,121	(167,879)
Fund Balance - Ending	$ 0	$ (686,514)	$ 50,089	$ 736,603

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

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	$ 91,786	$ 92,918	$ 99,733	$ 6,815
Interest	10	10	392	382
Total Receipts	91,796	92,928	100,125	7,197
DISBURSEMENTS				
Protection to Persons and Property	306,212	364,340	363,986	354
Administration	27,564	27,471	27,324	147
Total Disbursements	333,776	391,811	391,310	501
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(241,980)	(298,883)	(291,185)	7,698
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	236,980	236,980	276,000	39,020
Total Other Adjustments to Cash (Uses)	236,980	236,980	276,000	39,020
Net Change in Fund Balance	(5,000)	(61,903)	(15,185)	46,718
Fund Balance - Beginning	5,000	24,000	24,557	557
Fund Balance - Ending	$ 0	$ (37,903)	$ 9,372	$ 47,275

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

	LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	$ 123,000	$ 123,000	$ 107,728	$ (15,272)
Interest	5	5	110	105
Total Receipts	123,005	123,005	107,838	(15,167)
DISBURSEMENTS				
Protection to Persons and Property	105	105		105
Total Disbursements	105	105		105
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	122,900	122,900	107,838	(15,062)
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(123,000)	(123,000)	(107,800)	15,200
Total Other Adjustments to Cash (Uses)	(123,000)	(123,000)	(107,800)	15,200
Net Change in Fund Balance	(100)	(100)	38	138
Fund Balance - Beginning	100	100	137	37
Fund Balance - Ending	$ 0	$ 0	$ 175	$ 175

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

	FEDERAL MONIES FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	$ 143,050	$ 143,050	$	$ (143,050)
Total Receipts	143,050	143,050		(143,050)
DISBURSEMENTS				
General Government	143,050	143,050		143,050
Total Disbursements	143,050	143,050		143,050
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)				
Net Change in Fund Balance				
Fund Balance - Beginning				
Fund Balance - Ending	$ 0	$ 0	$ 0	$ 0

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

	AMBULANCE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	$ 512,117	$ 512,117	$ 398,176	$ (113,941)
Intergovernmental	10,000	10,000	10,000	
Charges for Services	652,500	652,500	682,884	30,384
Miscellaneous	163,844	163,844	156,683	(7,161)
Interest	10	10	1,786	1,776
Total Receipts	1,338,471	1,338,471	1,249,529	(88,942)
DISBURSEMENTS				
Protection to Persons and Property	892,486	1,028,727	969,090	59,637
Debt Service	34,575	34,575	34,574	1
Administration	525,985	389,744	316,531	73,213
Total Disbursements	1,453,046	1,453,046	1,320,195	132,851
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(114,575)	(114,575)	(70,666)	43,909
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	34,575	34,575	34,575	
Total Other Adjustments to Cash (Uses)	34,575	34,575	34,575	
Net Change in Fund Balance	(80,000)	(80,000)	(36,091)	43,909
Fund Balance - Beginning (Restated)	80,000	80,000	124,996	44,996
Fund Balance - Ending	$ 0	$ 0	$ 88,905	$ 88,905

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

SOLID WASTE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	$ 21,180	$ 21,180	$ 21,580	$ 400
Charges for Services	637,000	637,000	639,690	2,690
Miscellaneous	10,000	10,000	21,845	11,845
Interest	375	375	597	222
Total Receipts	668,555	668,555	683,712	15,157
DISBURSEMENTS				
General Health and Sanitation	501,449	549,046	543,676	5,370
Debt Service	54,470	54,495	54,470	25
Administration	122,636	116,014	113,703	2,311
Total Disbursements	678,555	719,555	711,849	7,706
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(10,000)	(51,000)	(28,137)	22,863
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			40,000	40,000
Total Other Adjustments to Cash (Uses)			40,000	40,000
Net Change in Fund Balance	(10,000)	(51,000)	11,863	62,863
Fund Balance - Beginning (Restated)	10,000	21,000	21,389	389
Fund Balance - Ending	$ 0	$ (30,000)	$ 33,252	$ 63,252

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

	ALCOHOL BEVERAGE CONTROL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Licenses and Permits	$ 5,050	$ 5,050	$ 2,200	$ (2,850)
Miscellaneous	9,450	9,450	13,387	3,937
Interest	25	25	103	78
Total Receipts	14,525	14,525	15,690	1,165
DISBURSEMENTS				
Administration	36,025	36,025		36,025
Total Disbursements	36,025	36,025		36,025
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(21,500)	(21,500)	15,690	37,190
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(15,000)	(15,000)	(15,000)	
Total Other Adjustments to Cash (Uses)	(15,000)	(15,000)	(15,000)	
Net Change in Fund Balance	(36,500)	(36,500)	690	37,190
Fund Balance - Beginning	36,500	36,500	22,944	(13,556)
Fund Balance - Ending	$ 0	$ 0	$ 23,634	$ 23,634

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

	COUNTY CLERK'S STORAGE FEE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	$ 8,500	$ 8,500	$ 9,510	$ 1,010
Interest	100	100	297	197
Total Receipts	8,600	8,600	9,807	1,207
DISBURSEMENTS				
General Government	24,600	24,600	1,470	23,130
Total Disbursements	24,600	24,600	1,470	23,130
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(16,000)	(16,000)	8,337	24,337
Net Change in Fund Balance	(16,000)	(16,000)	8,337	24,337
Fund Balance - Beginning	16,000	16,000	18,490	2,490
Fund Balance - Ending	$ 0	$ 0	$ 26,827	$ 26,827

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

	OPIOID SETTLEMENT FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	$ 21,292	$ 21,292	$ 64,331	$ 43,039
Interest	50	50	1,420	1,370
Total Receipts	21,342	21,342	65,751	44,409
DISBURSEMENTS				
Protection to Persons and Property		43,558	43,556	2
General Health and Sanitation		10,000	10,000	
Debt Service		21,908		21,908
Administration	98,217	22,751		22,751
Total Disbursements	98,217	98,217	53,556	44,661
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(76,875)	(76,875)	12,195	89,070
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(34,575)	(34,575)	(34,575)	
Total Other Adjustments to Cash (Uses)	(34,575)	(34,575)	(34,575)	
Net Change in Fund Balance	(111,450)	(111,450)	(22,380)	89,070
Fund Balance - Beginning	111,450	111,450	111,580	130
Fund Balance - Ending	$ 0	$ 0	$ 89,200	$ 89,200

LEE COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2025

Note 1. Budgetary Information

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

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

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

Note 2. Reconciliation Of The General Fund

Other Adjustments to Cash (Uses) - Budgetary Basis	$(1,168,200)
To adjust for Payroll Account	2,918
Total Other Adjustments to Cash (Uses) - Regulatory Basis	$(1,165,282)
Ending Balance - Budgetary Basis	$ 3,304,144
To adjust for Payroll Account	2,918
Total Ending Balance - Regulatory Basis	$ 3,307,062

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LEE COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2025

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LEE COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2025

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	$ 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	4,314,040	1,074,630	21,808	5,366,862
Infrastructure	11,434,652	1,388,461		12,823,113
Total Capital Assets	$ 19,616,131	$ 2,463,091	$ 21,808	$ 22,057,414

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

June 30, 2025

Note 1. Capital Assets

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

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

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

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ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

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

Independent Auditor's Report

The Honorable Steve Mays, Lee County Judge/Executive
Members of the Lee County Fiscal Court

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Lee County Fiscal Court for the fiscal year ended June 30, 2025, and the related notes to the financial statement which collectively comprise the Lee County Fiscal Court's financial statement and have issued our report thereon dated June 15, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the 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 the Lee County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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Report on Compliance And Other Matters

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

Purpose of this Report

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

Respectfully submitted,

Allison Ball
Auditor of Public Accounts
Frankfort, Ky

June 15, 2026

CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

LEE COUNTY FISCAL COURT

For The Year Ended June 30, 2025

Appendix A

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CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

LEE COUNTY FISCAL COURT

For The Year Ended June 30, 2025

The 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

Pearl Spencer

County Treasurer