

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

**For The Year Ended
June 30, 2024**



**ALLISON BALL
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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 Jim Gazay, Morgan County Judge/Executive
Members of the Morgan 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 Morgan County Fiscal Court, for the year ended June 30, 2024, and the related notes to the financial statement, which collectively comprise the Morgan 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 Morgan County Fiscal Court, for the year ended June 30, 2024, 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 Morgan County Fiscal Court, for the year ended June 30, 2024, 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 Morgan County Fiscal Court and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



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

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 Morgan 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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Morgan 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 Morgan County Fiscal Court. The Budgetary Comparison Schedules and the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

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

Other Information

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

To the People of Kentucky
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Members of the Morgan County Fiscal Court

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2025, on our consideration of the Morgan 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 Morgan County Fiscal Court's internal control over financial reporting and compliance.

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

2024-001 The Morgan County Fiscal Court Did Not Accurately Report Debt On The Quarterly Financial Statement

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

July 30, 2025

MORGAN COUNTY OFFICIALS**For The Year Ended June 30, 2024****Fiscal Court Members:**

Jim Gazay	County Judge/Executive
Eric Pelfrey	Magistrate
Donnie Keeton	Magistrate
Tommy Fannin	Magistrate
Brandon Evans	Magistrate
Leroy Phipps	Magistrate

Other Elected Officials:

Myles Holbrook	County Attorney
James Easterling	Jailer
Randy Williams	County Clerk
Geannie Wright	Circuit Court Clerk
Greg Motley	Sheriff
Darby Franklin	Property Valuation Administrator
Shawn Vancleave	Coroner

Appointed Personnel:

Shenea Easterling	County Treasurer
Vicci Lewis	Chief Financial Officer

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

For The Year Ended June 30, 2024

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

For The Year Ended June 30, 2024

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 3,296,707	\$	\$
In Lieu Tax Payments	50,019	35,657	
Excess Fees	66,760		
Intergovernmental	675,060	2,647,657	83,566
Charges for Services	12,071		17,703
Miscellaneous	438,706	39,112	
Interest	37,569		
Total Receipts	<u>4,576,892</u>	<u>2,722,426</u>	<u>101,269</u>
DISBURSEMENTS			
General Government	1,850,899	1,247	262
Protection to Persons and Property	121,675		590,980
General Health and Sanitation	539,839		9,076
Recreation and Culture	595,183		
Roads		1,054,769	
Debt Service	350,274	593,550	
Capital Projects		1,711,981	
Administration	702,108	222,585	62,725
Total Disbursements	<u>4,159,978</u>	<u>3,584,132</u>	<u>663,043</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>416,914</u>	<u>(861,706)</u>	<u>(561,774)</u>
Other Adjustments to Cash (Uses)			
Financing Obligation Proceeds	136,429	1,598,481	
Premium on Financing Obligation		115,000	
Change in Payroll Revolving Account	(51,005)		
Transfers From Other Funds	100,000		550,000
Transfers To Other Funds	(460,000)	(100,000)	
Total Other Adjustments to Cash (Uses)	<u>(274,576)</u>	<u>1,613,481</u>	<u>550,000</u>
Net Change in Fund Balance	142,338	751,775	(11,774)
Fund Balance - Beginning	<u>1,325,650</u>	<u>572,118</u>	<u>41,382</u>
Fund Balance - Ending	<u>\$ 1,467,988</u>	<u>\$ 1,323,893</u>	<u>\$ 29,608</u>
Composition of Fund Balance			
Bank Balance	\$ 1,507,381	\$ 1,351,562	\$ 57,338
Payroll Revolving Account Reconciled Balance	13,759		
Less: Outstanding Checks	(53,152)	(27,669)	(27,730)
Fund Balance - Ending	<u>\$ 1,467,988</u>	<u>\$ 1,323,893</u>	<u>\$ 29,608</u>

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

MORGAN COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2024
(Continued)

Budgeted Funds					Unbudgeted Funds	
Local Government Economic Assistance Fund	Forest Fire Protection Fund	Special Projects Fund	County Clerk Document Fee Fund	Public Properties Fund	Public Properties Corporation Fund	Total Funds
\$	\$ 5,493	\$	\$	\$	\$	\$ 3,302,200
						85,676
						66,760
330,588		402,561			1,184,523	5,323,955
		6,000	9,830	87,681		29,774
			5	157	8,138	581,329
330,588	5,493	408,561	9,835	87,838	1,192,661	9,435,563
		1,120	18,088			1,871,616
225,571	3,783					942,009
		60,758				609,673
						595,183
						1,054,769
					1,183,023	2,126,847
		182,305				1,894,286
		11,167			1,650	1,000,235
225,571	3,783	255,350	18,088		1,184,673	10,094,618
105,017	1,710	153,211	(8,253)	87,838	7,988	(659,055)
						1,734,910
						115,000
						(51,005)
						650,000
(90,000)						(650,000)
(90,000)						1,798,905
15,017	1,710	153,211	(8,253)	87,838	7,988	1,139,850
4,418	962	43,631	12,018	322,643	4,126	2,326,948
\$ 19,435	\$ 2,672	\$ 196,842	\$ 3,765	\$ 410,481	\$ 12,114	\$ 3,466,798
\$ 19,435	\$ 2,672	\$ 196,842	\$ 3,765	\$ 410,481	\$ 12,114	\$ 3,561,590
						13,759
						(108,551)
\$ 19,435	\$ 2,672	\$ 196,842	\$ 3,765	\$ 410,481	\$ 12,114	\$ 3,466,798

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

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TO THE FINANCIAL STATEMENT**

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**MORGAN COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2024

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Basis of Accounting

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

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

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

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

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

MORGAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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

Forest Fire Protection Fund - The primary purpose of this fund is to account for collections and disbursements of taxes relating to fire protection.

Special Projects Fund - The primary purpose of this fund is to account for the receipts and disbursements received from grants or special projects.

County Clerk Document Fee Fund - The primary purpose of this fund is to account for receipts from the county clerk for storage fees.

Public Properties Fund - The primary purpose of this fund is to account for receipts from the unwinding of the new market tax credit transactions.

Unbudgeted Fund

The fiscal court reports the following unbudgeted fund:

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

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.

The state local finance officer does not require the public properties corporation fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

MORGAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Morgan County Elected Officials

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

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.

MORGAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 2. Deposits

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of the DLG's *County Budget Preparation and State Local Finance Officer Policy Manual*. As of June 30, 2024, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2024.

	General Fund	Road Fund	LGEA Fund	Total Transfers In
General Fund	\$	\$ 100,000	\$	\$ 100,000
Jail Fund	460,000		90,000	550,000
Total Transfers Out	\$ 460,000	\$ 100,000	\$ 90,000	\$ 650,000

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. Leases

A. Lessor

1. Gateway Community Action – Office Space

During the 2011 fiscal year, the Morgan County Fiscal Court began leasing office space in the Morgan County Enterprise Center to the Gateway Community Action Office. The Gateway Community Action Office is responsible for paying a fixed annual fee of \$25,000 for utility costs, maintenance, housekeeping, and information technology services. The annual fee shall be allocated on a monthly basis and is due on the tenth of each month. The agreement is effective October 1, 2010, and remains in effect as written through June 30, 2015. The agreement shall extend automatically for two five-year periods with a five-percent increase in the annual fixed fee on the beginning of the sixth year and the eleventh year. The Morgan County Fiscal Court recognized \$27,563 in lease revenue during the current fiscal year related to this lease. As of June 30, 2024, Morgan County Fiscal Court's receivable for lease payments was \$27,563.

MORGAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 4. Leases (Continued)

A. Lessor (Continued)

2. Gateway Community Action - WIA

During the 2012 fiscal year, the Morgan County Fiscal Court began leasing office space to house Gateway Community Action's Workforce Investment Act (WIA) in the Morgan County Enterprise Center to the Gateway Community Action Office. The Gateway Community Action Office is responsible for paying a fixed monthly fee of \$993 for utility costs, maintenance, housekeeping, and information technology services. This agreement is effective September 1, 2011, and remains in effect as written through June 30, 2015. The agreement shall extend automatically for two five-year periods with a five-percent increase in the annual fixed fee on the beginning of the sixth year and the eleventh year. The Morgan County Fiscal Court recognized \$13,137 in lease revenue during the current fiscal year related to this lease. As of June 30, 2024, Morgan County Fiscal Court's receivable for lease payments was \$13,137.

3. Gateway Community Action - Left Wing

During the 2012 fiscal year, the Morgan County Fiscal Court began leasing office space in the Morgan County Enterprise Center Left Wing to the Gateway Community Action Office. The Gateway Community Action Office is responsible for paying a fixed annual fee of \$33,000 for utility costs, maintenance, housekeeping, and information technology services. The annual fee shall be allocated on a monthly basis and is due on the tenth of each month. The agreement is effective January 1, 2012, and remains in effect as written through June 30, 2015. The agreement shall extend automatically for two five-year periods with a five-percent increase in the annual fixed fee on the beginning of the sixth year and the eleventh year. The Morgan County Fiscal Court recognized \$36,383 in lease revenue during the current fiscal year related to this lease. As of June 30, 2024, Morgan County Fiscal Court's receivable for lease payments was \$36,383.

4. Gateway Community Action - Early Head Start

During the 2018 fiscal year, the Morgan County Fiscal Court began leasing floor space and land at 450 Prestonsburg Street, West Liberty, KY to be used for Early Head Start purposed to the Gateway Community Action Agency. The Gateway Community Action Agency is responsible for paying a fixed monthly fee of \$1,200. This agreement is effective June 1, 2017, and remains in effect through August 31, 2032. The Morgan County Fiscal Court recognized \$14,400 in lease revenue during the current fiscal year related to this lease. As of June 30, 2024, Morgan County Fiscal Court's receivable for lease payments was \$117,600.

5. Youthful Essence Medical Center

During the prior fiscal year, Morgan County Fiscal Court began leasing the First Aid Room at the Morgan County Youth Center to Youthful Essence Medical Center. The lease is for one year and the Morgan County Fiscal Court will receive monthly payments of \$500. The lease term is renewable upon agreement of both parties. The Morgan County Fiscal Court recognized \$6,000 in lease revenue during the current fiscal year related to this lease. As of June 30, 2024, Morgan County Fiscal Court's receivable for lease payments was \$3,000.

MORGAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 4. Leases (Continued)

A. Lessor (Continued)

6. Cannel City Post Office

The Morgan County Fiscal Court leases a building at 9519 KY 191, Cannel City, KY 41408 to the United States Postal Service for Cannel City Post Office. The Morgan County Fiscal Court receives monthly payments of \$55. The Morgan County Fiscal Court recognized \$660 in lease revenue during the current fiscal year related to this lease.

7. AirEvac

During the 2015 fiscal year, the Morgan County Fiscal Court began leasing a helipad to AirEvac. The Morgan County Fiscal Court receives monthly payments of \$530. The Morgan County Fiscal Court recognized \$6,365 during the current fiscal year related to this lease.

8. Morgan County Public Library

During the 2020 fiscal year, the Morgan County Fiscal Court began leasing space in the Morgan County Enterprise Center to the Morgan County Public Library. The Morgan County Fiscal Court will receive annual payments of \$65,000. The Morgan County Fiscal Court recognized \$65,000 in lease revenue during the current fiscal year related to this lease.

9. Administrative Office of the Courts (AOC)

The Morgan County Public Properties Corporation (the corporation) issued \$1,635,000 first mortgage revenue bonds dated April 1, 2013, to finance the completion of the construction of the Morgan County Judicial Center. The Administrative Office of the Courts (AOC) reimburses the county for the rental payments which agrees to the annual principal and interest costs on the bonds issued for the financing of the building construction. The corporation recognized \$112,575 in lease revenue during the current fiscal year. As of June 30, 2024, the corporation's receivable for lease payments was \$ 685,713.

10. Administrative Office of the Courts (AOC)

The Morgan County Public Properties Corporation (the corporation) issued \$7,640,000 taxable mortgage revenue refunding revenue bonds dated August 26, 2020, for the purpose of a partial defeasance of the outstanding first mortgage revenue bonds, series 2010, which were used for the construction of the Morgan County Judicial Center. The Administrative Office of the Courts (AOC) reimburses the county for the rental payments which agrees to the annual principal and interest costs on the bonds issued for the financing of the building construction. The corporation recognized \$1,071,948 in lease revenue during the current fiscal year. As of June 30, 2024, the corporation's receivable for lease payments was \$6,445,061.

MORGAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 4. Leases (Continued)

B. Lessee

1. American Business Systems

During the current fiscal year, Morgan County Fiscal Court entered into a five-year lease agreement as lessee for the acquisition and use of office equipment. An initial lease liability was recorded in the amount of \$18,143 during the 2023 fiscal year. As of June 30, 2024, the value of the lease liability was \$11,793. The Morgan County Fiscal Court is required to make monthly principal payments of \$302. The future principal and interest lease payments as of June 30, 2024, were as follows:

Fiscal Year Ended June 30	Amount
2025	3,629
2026	3,629
2027	3,629
2028	906
Total Minimum Lease Payments	\$ 11,793

Note 5. Long-term Debt

A. Direct Borrowings and Direct Placements

1. KACo #31 Series 2015 B- Blacktop and Tornado

On April 1, 2015, the Morgan County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Finance Corporation to refinance various debt. The principal amount of the lease was \$4,655,000 with an interest rate between 2.0 and 3.75 percent plus fees. In the event of a default, the lessor may take whatever action at law to enforce performance by the lessee. The lease requires monthly principal and interest payments to be paid in full on December 20, 2034. As of June 30, 2024, the principal balance on this bond was \$2,850,000. Debt service requirements for the remaining years are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2025	\$ 232,500	\$ 97,531
2026	240,000	89,975
2027	247,500	82,175
2028	255,000	74,131
2029	265,000	65,844
2030-2034	1,452,500	188,650
2035	157,500	5,934
Totals	\$ 2,850,000	\$ 604,240

MORGAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 5. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

2. KACo #37 Series 2020 C – Road Project

On August 8, 2020, the Morgan County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Finance Corporation to finance various road project. The principal amount of the lease was \$2,450,000 with an interest rate between 1.5 and 3.0 percent plus fees. In the event of a default, the lessor may take whatever action at law to enforce performance by the lessee. The lease requires monthly principal and interest payments to be paid in full on February 1, 2036. As of June 30, 2024, the principal balance on this bond was \$2,012,500. Debt service requirements for the remaining years are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2025	\$ 147,500	\$ 54,321
2026	152,500	48,053
2027	160,000	41,571
2028	167,500	34,771
2029	172,500	30,202
2030-2034	915,000	107,606
2035-2036	<u>297,500</u>	<u>14,104</u>
Totals	<u>\$ 2,012,500</u>	<u>\$ 330,628</u>

3. KACo #38 Series 2020D – General Obligation Lease

On October 13, 2020, the Morgan County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Finance Corporation to partially defease the General Obligation Bonds, Series 2012. The principal amount of the lease was \$1,205,000 with an interest rate between 4.0 and 4.5 percent plus fees. In the event of a default, the lessor may take whatever action at law to enforce performance by the lessee. The lease requires monthly principal and interest payments to be paid in full on February 1, 2038. As of June 30, 2024, the principal balance on this bond was \$1,152,000. Debt service requirements for the remaining years are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2025	\$ 47,500	\$ 28,526
2026	80,000	27,710
2027	80,000	26,270
2028	82,500	24,750
2029	82,500	23,099
2030-2034	437,500	86,875
2035-2038	<u>342,500</u>	<u>25,766</u>
Totals	<u>\$ 1,152,500</u>	<u>\$ 242,996</u>

MORGAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 5. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

4. KACo #40 Road Equipment

On June 1, 2023, the Morgan County Fiscal Court entered into a four-year lease agreement with the Kentucky Association of Counties for road equipment. The principal amount of the lease was \$427,391 with an interest rate of 5.17 percent. The lease is secured by the equipment and in the event of default, the lessor is entitled to reclaim the truck. The lease agreement balance as of June 30, 2024, was 329,133. Lease payments for the remaining years are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2025	\$ 104,661	\$ 14,557
2026	109,632	9,029
2027	<u>114,840</u>	<u>3,239</u>
Totals	<u>\$ 329,133</u>	<u>\$ 26,825</u>

5. KACo #39 Series 2023C - Road Projects

On August 8, 2023, the Morgan County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Finance Corporation to finance various road projects. The principal amount of the lease was \$1,385,000 with an interest rate of 3.39 percent plus fees. In the event of a default, the lessor may take whatever action at law to enforce performance by the lessee. The lease requires monthly principal and interest payments to be paid in full on December 20, 2032. As of June 30, 2024, the principal balance on this bond was \$1,285,000. Debt service requirements for the remaining years are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2025	\$ 122,500	\$ 72,968
2026	127,500	66,353
2027	135,000	59,468
2028	145,000	52,178
2029	152,500	44,348
2030-2034	<u>602,500</u>	<u>88,663</u>
Totals	<u>\$ 1,285,000</u>	<u>\$ 383,978</u>

MORGAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 5. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

6. KACo #41 Sheriff's Vehicle

On November 14, 2023, the Morgan County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Finance Corporation to finance a vehicle for the sheriff's office. The principal amount of the lease was \$36,429 with an interest rate of 6.49 percent. The lease is secured by the equipment and in the event of default, the lessor is entitled to reclaim the vehicle. The lease requires a yearly principal and interest payment to be paid in full on November 20, 2027. As of June 30, 2024, the principal balance on this bond was \$36,429. Debt service requirements for the remaining years are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2025	\$ 8,186	\$ 2,476
2026	8,829	1,833
2027	9,402	1,260
2028	<u>10,012</u>	<u>650</u>
Totals	<u>\$ 36,429</u>	<u>\$ 6,219</u>

7. KACo #42 Dump Trucks

On December 13, 2023, the Morgan County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Finance Corporation to finance two dump trucks. The principal amount of the lease was \$313,481 with an interest rate of 6.00 percent. The lease is secured by the equipment and in the event of default, the lessor is entitled to reclaim the dump trucks. The lease requires monthly interest payments and on principal payment at maturity to be paid in full on November 20, 2026. As of June 30, 2024, the principal balance on this bond was \$313,481. Debt service requirements for the remaining years are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2025	\$	\$ 18,809
2026		18,809
2027	<u>313,481</u>	<u>9,404</u>
Totals	<u>\$ 313,481</u>	<u>\$ 47,022</u>

MORGAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 5. Long-term Debt (Continued)

B. Other Debt

1. General Obligation Bond, Series 2012 – Various Projects

In December 2012, the Morgan County Fiscal Court issued \$1,600,000 in bonds for a community center, parking garage, extension district office, wellness and recovery center, and the renovation of the old Morgan County courthouse and paying the cost of issuance of the bond. The bonds interest rate shall not exceed 7 percent with a retirement date of February 1, 2038. Monthly principal and interest payments are made each year. On October 13, 2020, the bonds were partially defeased with a general obligation lease, series 2020. In the case of default, the grantee may pursue any other remedies provided by law. The outstanding principal balance as of June 30, 2024, is \$32,500. Future principal and interest payments are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2025	\$ 32,500	\$ 1,346
Totals	<u>\$ 32,500</u>	<u>\$ 1,346</u>

2. First Mortgage Revenue Bonds – Justice Center Project

The Morgan County Public Properties Corporation (the corporation) issued \$1,635,000 first mortgage revenue bonds dated April 1, 2013, to finance the completion of the construction of the Morgan County Judicial Center. The bonds have interest rates from 1 percent to 3.25 percent with a retirement date of February 1, 2031. The corporation is acting as agent for the Administrative Office of the Courts (AOC) in order to manage and maintain the judicial center. The corporation expects annual rentals from AOC for use of the judicial center to be in the full amount of the annual principal and interest requirements of the bonds. The corporation is in reliance upon the use allowance payment in order to meet the debt service for the bonds. The use allowance payment commenced with occupancy of the judicial center by AOC. AOC, with the execution of the lease, has expressed its intention to continue to pay the full use allowance payment in each successive biennial budget period until June 30, 2031, but AOC is not legally obligated to do so.

In the event the AOC shall elect not to renew the lease at any time, or fail to pay the stipulated rentals, then and in that event and upon any ensuing default in the payment of the principal of or interest on the bonds, the mortgage, as the case may be, shall be enforced, which enforcement may, under the terms of the mortgage, include foreclosure of the liens created by the mortgage and sale of the project. No such sale or foreclosure, however, shall give rise to any right to a deficiency judgment against the county or the AOC or the issuer in any sum, and until such sale, the county may at any time, by payment of all costs of action and charges of trustee, and by discharge of principal of and interest on the bonds, receive unencumbered fee simple title to the project. In the event of any such enforcement by the trustee (whether occasioned by the default of the AOC or the county or by the failure of the issuer to apply the use allowance to the payment of the bonds and interest) from the proceeds of any operation of the project or foreclosure and sale of the project by the trustee there shall first be paid all expenses incident to said enforcement, as provided in the mortgage, and thereafter the bonds and interest then outstanding shall be paid and retired, and if there shall remain any excess after paying such expenses and the claims of owners, the entire amount of such excess shall be paid over in cash to the county. Notwithstanding the foregoing, as an alternative remedy, the trustee is entitled to enter upon the premises, evict the AOC and the county and relet the project under such terms and conditions as it deems prudent; the proceeds of such reletting to be applied to the payment of the principal and interest requirements on the bonds.

MORGAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 5. Long-term Debt (Continued)

B. Other Debt (Continued)

2. First Mortgage Revenue Bonds – Justice Center Project (Continued)

Per the debt service requirements, principal payments are due on June 1, and interest payments are due on December 1 and June 1 of each year. As of June 30, 2024, the principal outstanding was \$610,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2025	\$ 95,000	\$ 20,100
2026	95,000	17,250
2027	100,000	14,400
2028	105,000	11,400
2029	105,000	7,988
2030	110,000	4,575
Totals	<u>\$ 610,000</u>	<u>\$ 75,713</u>

3. Taxable Mortgage Revenue Bonds, Series 2020 – Justice Center

The Morgan County Public Properties Corporation (the corporation) issued \$7,640,000 taxable mortgage revenue refunding revenue bonds dated August 26, 2020, for the purpose of a partial defeasance of the outstanding first mortgage revenue bonds, series 2010, which were used for the construction of the Morgan County Judicial Center. The bonds were issued at an interest rate of 1.4 percent and will be retired by June 1, 2030. The corporation is acting as agent for the Administrative Office of the Courts (AOC) in order to manage and maintain the judicial center. The corporation expects annual rentals from AOC for use of the judicial center to be in the full amount of the annual principal and interest requirements of the bonds. The corporation is in reliance upon the use allowance payment in order to meet the debt service for the bonds. The use allowance payment commenced with occupancy of the judicial center by AOC. AOC, with the execution of the lease, has expressed its intention to continue to pay the full use allowance payment in each successive biennial budget period until June 30, 2030, but AOC is not legally obligated to do so.

In the event the AOC shall elect not to renew the lease at any time, or fail to pay the stipulated rentals, then and in that event and upon any ensuing default in the payment of the principal of or interest on the bonds, the mortgage, as the case may be, shall be enforced, which enforcement may, under the terms of the mortgage, include foreclosure of the liens created by the mortgage and sale of the project. No such sale or foreclosure, however, shall give rise to any right to a deficiency judgment against the county or the AOC or the issuer in any sum, and until such sale, the county may at any time, by payment of all costs of action and charges of trustee, and by discharge of principal of and interest on the bonds, receive unencumbered fee simple title to the project. In the event of any such enforcement by the trustee (whether occasioned by the default of the AOC or the county or by the failure of the issuer to apply the use allowance to the payment of the bonds and interest) from the proceeds of any operation of the project or foreclosure and sale of the project by the trustee there shall first be paid all expenses incident to said enforcement, as provided in the mortgage, and thereafter the bonds and interest then outstanding shall be paid and retired, and if there shall remain any excess after paying such expenses and the claims of owners, the entire amount of such excess shall be paid over in cash to the county.

MORGAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 5. Long-term Debt (Continued)

B. Other Debt (Continued)

3. Taxable Mortgage Revenue Bonds, Series 2020 – Justice Center (Continued)

Notwithstanding the foregoing, as an alternative remedy, the trustee is entitled to enter upon the premises, evict the AOC and the county and relet the project under such terms and conditions as it deems prudent; the proceeds of such reletting to be applied to the payment of the principal and interest requirements on the bonds.

Per the debt service requirements, principal payments are due on June 1, and interest payments are due on December 1 and June 1 of each year. As of June 30, 2024, the principal outstanding was \$6,135,000. Future principal and interest requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2025	\$ 995,000	\$ 79,560
2026	1,005,000	70,605
2027	1,015,000	60,053
2028	1,025,000	47,873
2029	1,040,000	34,035
2030	<u>1,055,000</u>	<u>17,935</u>
Totals	<u>\$ 6,135,000</u>	<u>\$ 310,061</u>

C. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2024, 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 and					
Direct Placements	\$ 6,819,891	\$ 1,734,910	\$ 575,758	\$ 7,979,043	\$ 662,847
General Obligation Bonds	95,000		62,500	32,500	32,500
Revenue Bonds	<u>7,820,000</u>		<u>1,075,000</u>	<u>6,745,000</u>	<u>1,090,000</u>
Total Long-term Debt	<u>\$ 14,734,891</u>	<u>\$ 1,734,910</u>	<u>\$ 1,713,258</u>	<u>\$ 14,756,543</u>	<u>\$ 1,785,347</u>

MORGAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 5. Long-term Debt (Continued)

D. Aggregate Debt Schedule

The amount of required principal and interest payments on long-term obligations on June 30, 2024, were as follows:

Fiscal Year Ended June 30	Other Debt		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2025	\$ 1,122,500	\$ 101,006	\$ 662,847	\$ 289,188
2026	1,100,000	87,855	718,461	261,762
2027	1,115,000	74,453	1,060,223	223,387
2028	1,130,000	59,273	660,012	186,480
2029	1,145,000	42,023	672,500	163,493
2030-2034	1,165,000	22,510	3,407,500	471,794
2035-2038			797,500	45,804
Totals	<u>\$ 6,777,500</u>	<u>\$ 387,120</u>	<u>\$ 7,979,043</u>	<u>\$ 1,641,908</u>

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 2022 was \$350,353, FY 2023 was \$341,563, and FY 2024 was \$313,461.

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 go to the Ky. Ret. Sys. insurance trust fund to be allocated to CERS's share of assets in the fund.

MORGAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

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 the 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 23.34%.

Hazardous

Hazardous covered employees are required to contribute 8% of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 9% of their salary to be allocated as follows: 8 percent will go to the member's account and 1% will go to the Ky. Ret. Sys. insurance trust fund to be allocated to CERS's share of assets in the fund.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan.

Members in the plan contribute a set percentage of their salary each month to their own accounts. Hazardous members contribute 8% of their annual creditable compensation and also contribute 1% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board of Trustees based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A hazardous member's account is credited with a 7.5% employer pay credit. The employer pay credit represents a portion of the employer contribution.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008, aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit. The county's contribution rate for hazardous employees was 43.69%.

MORGAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 6. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

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

Hazardous employees whose participation began on or after July 1, 2003, earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Benefits are covered under KRS 78.5536.

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

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

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.

MORGAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 6. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

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

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

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

D. Cost of Living Adjustments - Tier 1

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

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

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

F. Death Benefit

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

G. Annual Financial Report and Proportionate Share Audit Report

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

MORGAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 7. Deferred Compensation

The Morgan County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax-sheltered supplemental retirement plans for all state, public school and university employees, and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permit all full-time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority at 501 High Street, 2nd Floor, Frankfort, KY 40601, or by telephone at (502) 573-7925.

Note 8. Insurance

For the fiscal year ended June 30, 2024, the Morgan 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 9. Related Party Transaction

During the year ending June 30, 2024, the fiscal court expended \$48,938 for cleaning services performed at the judicial center with a company whose part owner is the county treasurer.

Note 10. Payroll Revolving Account

The reconciled balance of \$13,759 for the payroll revolving account as of June 30, 2024, was added to the General Fund cash balance for financial reporting purposes.

Note 11. Prior Year Adjustments

- A. The beginning balance of the General Fund was restated and increased by \$210 to account for prior year voided outstanding checks.
- B. The beginning balance of the Special Projects Fund was increased \$44 to account for prior year voided outstanding checks.

MORGAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2024

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MORGAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2024

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 2,895,100	\$ 3,425,534	\$ 3,296,707	\$ (128,827)
In Lieu Tax Payments	40,000	40,000	50,019	10,019
Excess Fees	27,000	69,570	66,760	(2,810)
Intergovernmental	355,162	661,522	675,060	13,538
Charges for Services	11,000	12,621	12,071	(550)
Miscellaneous	277,910	441,074	438,706	(2,368)
Interest	15,000	31,094	37,569	6,475
Total Receipts	3,621,172	4,681,415	4,576,892	(104,523)
DISBURSEMENTS				
General Government	1,759,395	2,045,043	1,850,899	194,144
Protection to Persons and Property	248,077	255,911	121,675	134,236
General Health and Sanitation	474,550	573,811	539,839	33,972
Recreation and Culture	507,242	635,912	595,183	40,729
Debt Service	350,274	355,605	350,274	5,331
Administration	1,024,273	1,838,633	702,108	1,136,525
Total Disbursements	4,363,811	5,704,915	4,159,978	1,544,937
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(742,639)	(1,023,500)	416,914	1,440,414
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds	100,000	136,429	136,429	
Transfers From Other Funds	100,000	100,000	100,000	
Transfers To Other Funds	(457,361)	(457,361)	(460,000)	(2,639)
Total Other Adjustments to Cash (Uses)	(257,361)	(220,932)	(223,571)	(2,639)
Net Change in Fund Balance	(1,000,000)	(1,244,432)	193,343	1,437,775
Fund Balance - Beginning (Restated)	1,000,000	1,260,676	1,260,886	210
Fund Balance - Ending	\$ 0	\$ 16,244	\$ 1,454,229	\$ 1,437,985

MORGAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2024
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
In Lieu Tax Payments	\$ 31,500	\$ 35,657	\$ 35,657	\$
Intergovernmental	2,418,706	3,243,293	2,647,657	(595,636)
Miscellaneous	500	39,612	39,112	(500)
Total Receipts	2,450,706	3,318,562	2,722,426	(596,136)
DISBURSEMENTS				
General Government	1,500	1,500	1,247	253
Roads	1,137,212	1,533,082	1,054,769	478,313
Debt Service	631,708	640,475	593,550	46,925
Capital Projects	1,771,028	2,295,373	1,711,981	583,392
Administration	409,258	1,033,731	222,585	811,146
Total Disbursements	3,950,706	5,504,161	3,584,132	1,920,029
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,500,000)	(2,185,599)	(861,706)	1,323,893
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds	1,400,000	1,713,481	1,598,481	(115,000)
Premium on Financing Obligation			115,000	115,000
Transfers To Other Funds	(100,000)	(100,000)	(100,000)	
Total Other Adjustments to Cash (Uses)	1,300,000	1,613,481	1,613,481	
Net Change in Fund Balance	(200,000)	(572,118)	751,775	1,323,893
Fund Balance - Beginning	200,000	572,118	572,118	
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,323,893	\$ 1,323,893

MORGAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2024
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 93,700	\$ 93,700	\$ 83,566	\$ (10,134)
Charges for Services	9,000	9,000	17,703	8,703
Miscellaneous	100	100		(100)
Interest	50	50		(50)
Total Receipts	102,850	102,850	101,269	(1,581)
DISBURSEMENTS				
General Government	1,790	1,790	262	1,528
Protection to Persons and Property	646,070	676,238	590,980	85,258
General Health and Sanitation		9,600	9,076	524
Administration	58,351	69,565	62,725	6,840
Total Disbursements	706,211	757,193	663,043	94,150
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(603,361)	(654,343)	(561,774)	92,569
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	603,361	603,361	550,000	(53,361)
Total Other Adjustments to Cash (Uses)	603,361	603,361	550,000	(53,361)
Net Change in Fund Balance		(50,982)	(11,774)	39,208
Fund Balance - Beginning		41,382	41,382	
Fund Balance - Ending	\$ 0	\$ (9,600)	\$ 29,608	\$ 39,208

MORGAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2024
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 146,000	\$ 451,677	\$ 330,588	\$ (121,089)
Total Receipts	146,000	451,677	330,588	(121,089)
DISBURSEMENTS				
Protection to Persons and Property		305,677	225,571	80,106
Administration		4,418		4,418
Total Disbursements		310,095	225,571	84,524
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	146,000	141,582	105,017	(36,565)
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(146,000)	(146,000)	(90,000)	56,000
Total Other Adjustments to Cash (Uses)	(146,000)	(146,000)	(90,000)	56,000
Net Change in Fund Balance		(4,418)	15,017	19,435
Fund Balance - Beginning		4,418	4,418	
Fund Balance - Ending	\$ 0	\$ 0	\$ 19,435	\$ 19,435

MORGAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2024
(Continued)

FOREST FIRE PROTECTION FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 3,800	\$ 3,800	\$ 5,493	\$ 1,693
Total Receipts	3,800	3,800	5,493	1,693
DISBURSEMENTS				
Protection to Persons and Property	3,800	4,762	3,783	979
Total Disbursements	3,800	4,762	3,783	979
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(962)	1,710	2,672
Net Change in Fund Balance		(962)	1,710	2,672
Fund Balance - Beginning		962	962	
Fund Balance - Ending	\$ 0	\$ 0	\$ 2,672	\$ 2,672

MORGAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2024
(Continued)

	SPECIAL PROJECTS FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 199,341	\$ 221,832	\$ 402,561	\$ 180,729
Miscellaneous	9,000	9,000	6,000	(3,000)
Total Receipts	208,341	230,832	408,561	177,729
DISBURSEMENTS				
General Government	6,900	6,900	1,120	5,780
General Health and Sanitation	36,900	78,067	60,758	17,309
Capital Projects	162,869	182,305	182,305	
Administration	8,572	20,691	11,167	9,524
Total Disbursements	215,241	287,963	255,350	32,613
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(6,900)	(57,131)	153,211	210,342
Net Change in Fund Balance	(6,900)	(57,131)	153,211	210,342
Fund Balance - Beginning (Restated)	6,900	50,487	43,631	(6,856)
Fund Balance - Ending	\$ 0	\$ (6,644)	\$ 196,842	\$ 203,486

MORGAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2024
(Continued)

COUNTY CLERK DOCUMENT FEE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 15,000	\$ 15,000	\$ 9,830	\$ (5,170)
Interest			5	5
Total Receipts	15,000	15,000	9,835	(5,165)
DISBURSEMENTS				
General Government	25,000	27,018	18,088	8,930
Total Disbursements	25,000	27,018	18,088	8,930
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(10,000)	(12,018)	(8,253)	3,765
Net Change in Fund Balance	(10,000)	(12,018)	(8,253)	3,765
Fund Balance - Beginning	10,000	12,018	12,018	
Fund Balance - Ending	\$ 0	\$ 0	\$ 3,765	\$ 3,765

MORGAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2024
(Continued)

PUBLIC PROPERTIES FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$	\$ 87,681	\$ 87,681	\$
Interest	150	150	157	7
Total Receipts	150	87,831	87,838	7
DISBURSEMENTS				
Administration	322,750	410,474		410,474
Total Disbursements	322,750	410,474		410,474
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(322,600)	(322,643)	87,838	410,481
Net Change in Fund Balance	(322,600)	(322,643)	87,838	410,481
Fund Balance - Beginning	322,600	322,643	322,643	
Fund Balance - Ending	\$ 0	\$ 0	\$ 410,481	\$ 410,481

MORGAN COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2024

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	\$ (223,571)
To adjust for change in payroll revolving account balance	<u>(51,005)</u>
Total Other Adjustments to Cash (Uses) - Regulatory Basis	<u><u>\$ (274,576)</u></u>
Ending Fund Balance - Budgetary Basis	\$ 1,454,229
To adjust for payroll revolving account	<u>13,759</u>
Total Ending Fund Balance - Regulatory Basis	<u><u>\$ 1,467,988</u></u>

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MORGAN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2024

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MORGAN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity's Identifying Number	Provided to Subrecipient	Total Federal Expenditures
<u>U. S. Department of Treasury</u>				
<i>Direct Program</i>				
Local Assistance and Tribal Consistency Fund	21.032		\$	\$ 24,849
Total U.S. Department of Treasury				24,849
<u>U. S. Department of Homeland Security</u>				
<i>Passed-Through Kentucky Emergency Management</i>				
Disaster Grants - Public Assistance (Presidentially Declared Disaster)	97.036	FEMA-4592-DR-KY	\$	\$ 879,318
Disaster Grants - Public Assistance (Presidentially Declared Disaster)	97.036	FEMA-4711-DR-KY		111,727
Total U.S. Department of Homeland Security				991,045
Total Expenditures of Federal Awards			\$ 0	\$ 1,015,894

The accompanying notes are an integral part of this schedule.

MORGAN COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2024

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Morgan County, Kentucky under programs of the federal government for the year ended June 30, 2024. 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 Morgan County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Morgan 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

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

MORGAN COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2024

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MORGAN COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2024

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 4,977,520	\$ 197,198	\$	\$ 5,174,718
Buildings	24,622,780			24,622,780
Vehicles and Equipment	3,549,416	80,924	111,400	3,518,940
Furnishings	43,773			43,773
Infrastructure	19,583,239	143,536		19,726,775
 Total Capital Assets	 <u>\$ 52,776,728</u>	 <u>\$ 421,658</u>	 <u>\$ 111,400</u>	 <u>\$ 53,086,986</u>

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

June 30, 2024

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.

	<u>Capitalization Threshold</u>	<u>Useful Life (Years)</u>
Land Improvements	\$ 25,000	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 2,500	03-25
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 Jim Gazay, Morgan County Judge/Executive
Members of the Morgan 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 Morgan County Fiscal Court for the fiscal year ended June 30, 2024, and the related notes to the financial statement which collectively comprise the Morgan County Fiscal Court's financial statement and have issued our report thereon dated July 30, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Morgan 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 Morgan County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Morgan 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. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2024-001 that we consider to be a significant deficiency.



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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Morgan 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*.

Views of Responsible Official and Planned Corrective Action

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

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

July 30, 2025

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

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ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

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

Independent Auditor's Report

The Honorable Jim Gazay, Morgan County Judge/Executive
Members of the Morgan County Fiscal Court

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Morgan County Fiscal Court's compliance with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Morgan County Fiscal Court's major federal programs for the year ended June 30, 2024. The Morgan County Fiscal Court's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Morgan County Fiscal Court complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Morgan 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 Morgan County Fiscal Court's compliance with the compliance requirements referred to above.



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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Morgan County Fiscal Court's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Morgan County Fiscal Court's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Morgan 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 Morgan 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 Morgan 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.

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

Report on Internal Control Over Compliance (Continued)

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

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

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

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

July 30, 2025

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MORGAN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2024

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MORGAN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2024

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? ☐ Yes ☒ No
- Are any significant deficiencies identified? ☒ Yes ☐ None Reported

Are any noncompliances material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Are any material weaknesses identified? ☐ Yes ☒ No
- Are any significant deficiencies identified? ☐ Yes ☒ None Reported

Type of auditor's report issued on compliance for major federal programs : Unmodified

Are any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ☐ Yes ☒ 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 Disasters)

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

MORGAN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2024
(Continued)

Section II: Financial Statement Findings

Internal Control - Significant Deficiency

2024-001 The Morgan County Fiscal Court Did Not Accurately Report Debt On The Quarterly Financial Statement

The liabilities section of the June 30, 2024 quarterly financial statement submitted to the Department for Local Government, the Morgan County Fiscal Court reported outstanding debt principal in the amount of \$14,720,114 and outstanding interest in the amount of \$1,933,784. However, testing revealed that the confirmed outstanding principal balance was \$14,756,543, and the outstanding interest balance was \$2,023,029 resulting in total variances of \$36,429 and \$89,245, respectively. The county failed to implement sufficient monitoring over the reporting of liabilities to ensure accuracy of the report submitted to the Department for Local Government. Due to this error, long term debt was understated, which could impact the fiscal court's ability to make sound financial decisions.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* requires accurate financial records be maintained, which includes the schedule of liabilities. Furthermore, KRS 46.010(2) requires, "each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements." KRS 46.010(3) requires, "all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires." The monitoring of debt service payments and balances is a basic internal control necessary to ensure the accuracy and reliability of financial reports.

We recommend the Morgan County Fiscal Court strengthen internal controls over the reporting of debt service payments and outstanding balances. Internal controls, such as comparisons of payment amounts and outstanding balances to amortization and payment schedules, should be implemented.

Views of Responsible Official and Planned Corrective Action:

The Financial Report for the Fourth Quarter has been revised and submitted to the Department for Local Government. The under-reporting of the principal debt was due to the purchase of a vehicle for the Sheriff's Department, and the Sheriff's Department reimburses the Morgan County Fiscal Court for the entire amount expended. This is a pass-through and is not part of the County's central debt obligations. As such, the County had not included this liability in its financial statements.

The interest portion of the under-reporting was due to the appropriate amortization schedule not being available to our office. This schedule has now been obtained; and the correction has been made and reported to the Department for Local Government.

Section III: Federal Award Findings And Questioned Costs

None.

MORGAN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2024
(Continued)

Section IV: Summary Schedule of Prior Audit Findings

Finding Number	Prior Year Finding Title	Status	Corrective Action
2023-001	The Morgan County Fiscal Court Did Not Approve Interfund Transfers In Advance	Resolved	All interfund cash transfers have court approval prior to making the transfers.
2023-002	The Morgan County Fiscal Court Lacks Adequate Internal Controls Over Off-Site Receipts	Resolved	We have incorporated a new POS system for all off-site transactions.
2023-003	The Morgan County Fiscal Court Did Not Have Adequate Internal Controls Over Disbursements	Resolved	We now have internal controls properly established for all disbursements.
2023-004	The Morgan County Fiscal Court Did Not Follow Competitive Bidding Requirements	Resolved	The fiscal court has adhered to the requirements for bidding on all purchasing.
2023-005	The Morgan County Fiscal Court Did Not Adhere To Fourth Year Expenditure Restrictions	Resolved	Not a fourth year.

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

MORGAN COUNTY FISCAL COURT

For The Year Ended June 30, 2024

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CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
MORGAN COUNTY FISCAL COURT

For The Year Ended June 30, 2024

The Morgan 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