REPORT OF THE AUDIT OF THE MORGAN COUNTY FISCAL COURT

For The Year Ended
June 30, 2025

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, 2025, 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, 2025, in accordance with accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Basis for Opinions

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

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

As described in Note 1 of the financial statement, the financial statement is prepared by the 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.

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

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

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

The accompanying Budgetary Comparison Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedules 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 29, 2026, 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.

Respectfully submitted,

Allison Ball

Allison Ball
Auditor of Public Accounts
Frankfort, Ky

July 29, 2026

MORGAN COUNTY OFFICIALS

For The Year Ended June 30, 2025

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, 2025

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

For The Year Ended June 30, 2025

	Budgeted Funds		
	General Fund	**Road Fund**	**Jail Fund**
RECEIPTS			
Taxes	$ 3,477,976	$	$
In Lieu Tax Payments	49,720	2,870	
Excess Fees	146,416		
Licenses and Permits			
Intergovernmental	447,889	2,245,419	86,433
Charges for Services	10,217		17,795
Miscellaneous	402,647	28,054	
Interest	36,677		
Total Receipts	4,571,542	2,276,343	104,228
DISBURSEMENTS			
General Government	2,016,659		
Protection to Persons and Property	105,353	8,660	612,270
General Health and Sanitation	503,474		
Recreation and Culture	494,213		
Roads		1,222,778	
Debt Service	351,556	634,325	
Capital Projects		669,089	
Administration	686,247	290,531	94,600
Total Disbursements	4,157,502	2,825,383	706,870
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	414,040	(549,040)	(602,642)
Other Adjustments to Cash (Uses)			
Adjustment to Prior Year Surplus	2,271		278
Transfers From Other Funds	200,000		595,385
Transfers To Other Funds	(559,666)	(200,000)	
Total Other Adjustments to Cash (Uses)	(357,395)	(200,000)	595,663
Net Change in Fund Balance	56,645	(749,040)	(6,979)
Fund Balance - Beginning	1,467,988	1,323,893	29,608
Fund Balance - Ending	$ 1,524,633	$ 574,853	$ 22,629
Composition of Fund Balance			
Bank Balance	$ 1,013,513	$ 681,469	$ 62,868
Prior Year Payroll Revolving Account Reconciled Balance	13,759		
Less: Outstanding Checks	(53,380)	(212,560)	(40,239)
Money Market	550,741	105,944	
Fund Balance - Ending	$ 1,524,633	$ 574,853	$ 22,629

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, 2025
(Continued)

Budgeted Funds					Unbudgeted Fund	
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
$	$ 2,988	$	$	$	$	$ 3,480,964
						52,590
						146,416
		1,800				1,800
360,690		189,145			1,189,660	4,519,236
						28,012
		8,300	13,160			452,161
			2	161	3,135	39,975
360,690	2,988	199,245	13,162	161	1,192,795	8,721,154
30,278		1,200	15,593	45,172		2,108,902
198,562	3,783					928,628
		28,067				531,541
						494,213
						1,222,778
					1,188,710	2,174,591
15,629		171,798				856,516
		9,581			1,100	1,082,059
244,469	3,783	210,646	15,593	45,172	1,189,810	9,399,228
116,221	(795)	(11,401)	(2,431)	(45,011)	2,985	(678,074)
		250				2,799
		33,356				828,741
(69,075)						(828,741)
(69,075)		33,606				2,799
47,146	(795)	22,205	(2,431)	(45,011)	2,985	(675,275)
19,435	2,672	196,842	3,765	410,481	12,114	3,466,798
$ 66,581	$ 1,877	$ 219,047	$ 1,334	$ 365,470	$ 15,099	$ 2,791,523
$ 82,210	$ 1,877	$ 221,756	$ 1,334	$ 365,470	$ 15,099	$ 2,445,596
						13,759
(15,629)		(2,709)				(324,517)
						656,685
$ 66,581	$ 1,877	$ 219,047	$ 1,334	$ 365,470	$ 15,099	$ 2,791,523

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

INDEX FOR NOTES
TO THE FINANCIAL STATEMENT

MORGAN COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2025

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, 2025
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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

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, 2025
(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, 2025
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

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

Note 3. Transfers

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

	General Fund	Road Fund	LGEA Fund	Total Transfers In
General Fund	$	$ 200,000	$	$ 200,000
Jail Fund	526,310		69,075	595,385
Special Projects Fund	33,356			33,356
Total Transfers Out	$ 559,666	$ 200,000	$ 69,075	$ 828,741

Reason for transfers:

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

Note 4. Commitments – Lease Agreements

A. Leases – Lessor

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

Description	Effective Date	Length of Term	Frequency of Payments	Ending Date	Amount of Payments	Balance June 30, 2025
Gateway Community Action - Office Space	10/1/2010	15 Years	Monthly	6/30/2025	$ 2,297	$ 0
Gateway Community Action - WIA	9/1/2011	15 Years	Monthly	6/30/2025	$ 1,695	$ 0
Gateway Community Action - Left Wing	1/1/2012	15 Years	Monthly	6/30/2025	$ 3,032	$ 0
Gateway Community Action - Early Head Start	6/1/2017	15 Years	Monthly	8/31/2032	$ 1,200	$ 103,200
Youthful Essence Medical Center	1/26/2022	Open Ended	Monthly	Open Ended	$ 4,000	$ 5,000
Cannel City Post Office	7/1/2024	Open Ended	Monthly	Open Ended	$ 660	N/A
AirEvac	10/1/2014	15 Years	Monthly	10/1/2029	$ 7,714	$ 36,763
Morgan County Public Library	2/11/2020	Open Ended	Annually	Open Ended	$ 65,000	N/A
Administrative Office of the Courts	4/1/2013	18 Years	Annually	6/30/2030	$ 115,100	$ 570,613
Administrative Office of the Courts	8/26/2020	10 Years	Annually	6/30/2030	$1,074,560	$ 5,370,501

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

Note 4. Commitments – Lease Agreements (Continued)

B. Leases – Lessee

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

Description	Effective Date	Length of Term	Frequency of Payments	Ending Date	Amount of Payments	Balance June 30, 2025
American Business Systems	9/30/2023	5 Years	Monthly	9/30/2028	$ 323	$ 8,164

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, 2025, the principal balance on this bond was $2,618,500. Debt service requirements for the remaining years are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2026	$ 240,000	$ 89,975
2027	247,500	82,175
2028	255,000	74,131
2029	265,000	65,844
2030	272,500	57,063
2031-2035	1,337,500	137,521
Totals	$ 2,617,500	$ 506,709

MORGAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2025
(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 projects. 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, 2025, the principal balance on this bond was $1,865,000. Debt service requirements for the remaining years are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2026	$ 152,500	$ 48,053
2027	160,000	41,571
2028	167,500	34,771
2029	172,500	30,202
2030	175,000	27,828
2031-2035	937,500	89,912
2036	100,000	3,970
Totals	$ 1,865,000	$ 276,307

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, 2025, the principal balance on this bond was $1,105,000. Debt service requirements for the remaining years are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2026	$ 80,000	$ 27,710
2027	80,000	26,270
2028	82,500	24,750
2029	82,500	23,099
2030	82,500	21,367
2031-2035	450,000	76,172
2036-2038	247,500	15,102
Totals	$ 1,105,000	$ 214,470

MORGAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2025
(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, 2025, was $224,472. Lease payments for the remaining years are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2026	$ 109,632	$ 9,029
2027	114,840	3,239
Totals	$ 224,472	$ 12,268

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, 2025, the principal balance on this bond was $1,162,500. Debt service requirements for the remaining years are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2026	$ 127,500	$ 66,353
2027	135,000	59,468
2028	145,000	52,178
2029	152,500	44,348
2030	160,000	36,113
2030-2034	442,500	52,550
Totals	$ 1,162,500	$ 311,010

MORGAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2025
(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, 2025, the principal balance on this bond was $28,243. Debt service requirements for the remaining years are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2026	$ 8,829	$ 1,833
2027	9,402	1,260
2028	10,012	650
Totals	$ 28,243	$ 3,743

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 principal payment at maturity to be paid in full on November 20, 2026. As of June 30, 2025, the principal balance on this bond was $313,481. Debt service requirements for the remaining years are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2026	$ 0	$ 18,809
2027	313,481	9,404
Totals	$ 313,481	$ 28,213

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

Note 5. Long-term Debt (Continued)

B. Other Debt

1. 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 rental 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 bond. 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.

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, 2025, the principal outstanding was $515,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
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	$ 515,000	$ 55,613

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

Note 5. Long-term Debt (Continued)

B. Other Debt (Continued)

2. Tangible 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 justice 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. 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, 2025, the principal outstanding was $5,140,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
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	1,055,000	17,935
Totals	$ 5,140,000	$ 230,501

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

Note 5. Long-term Debt (Continued)

C. Changes In Long-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	$ 7,979,043	$	$ 662,847	$ 7,316,196	$ 718,461
General Obligation Bonds	32,500		32,500		
Revenue Bonds	6,745,000		1,090,000	5,655,000	1,100,000
Total Long-term Debt	$ 14,756,543	$ 0	$ 1,785,347	$12,971,196	$ 1,818,461

D. Aggregate Debt Schedule

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

Fiscal Year Ended June 30	Other Debt		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
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	1,165,000	22,510	690,000	142,371
2031-2035			3,167,500	356,155
2036-2038			347,500	19,072
Totals	$ 5,655,000	$ 286,114	$ 7,316,196	$ 1,352,720

Note 6. Employee Retirement System

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

The county’s contribution for FY 2023 was $341,563, FY 2024 was $313,461, and FY 2025 was $263,937.

Note 6. Employee Retirement System (Continued)

Nonhazardous

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

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

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

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

Hazardous

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

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

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

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

Note 6. Employee Retirement System (Continued)

Hazardous (Continued)

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

The county's contribution rate for hazardous employees was 38.61%.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

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

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

Benefits are covered under KRS 78.5536.

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

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

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

Note 6. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

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

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

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

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

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

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

D. Cost of Living Adjustments - Tier 1

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

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

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

F. Death Benefit

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

G. Annual Financial Report and Proportionate Share Audit Report

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

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

Note 6. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

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

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

Note 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, 2025, 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 Transactions

A. During the year ending June 30, 2025, the fiscal court expended $48,938 for cleaning services performed at the judicial center with a company whose part owner is the county treasurer.

B. During the year ending June 30, 2025, the fiscal court expended $2,325 for portable rentals with a company whose owner is one of the magistrates.

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MORGAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2025

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MORGAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2025

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	$ 3,040,100	$ 3,057,194	$ 3,477,976	$ 420,782
In Lieu Tax Payments			49,720	49,720
Excess Fees	26,000	144,951	146,416	1,465
Intergovernmental	278,160	756,668	447,889	(308,779)
Charges for Services	10,475	10,475	10,217	(258)
Miscellaneous	384,287	421,310	402,647	(18,663)
Interest	20,000	22,379	36,677	14,298
Total Receipts	3,759,022	4,412,977	4,571,542	158,565
DISBURSEMENTS				
General Government	1,901,451	2,084,131	2,016,659	67,472
Protection to Persons and Property	215,326	233,023	105,353	127,670
General Health and Sanitation	570,496	640,407	503,474	136,933
Social Services		25,000		25,000
Recreation and Culture	614,010	1,013,265	494,213	519,052
Debt Service	351,556	351,556	351,556	
Administration	760,798	1,373,777	686,247	687,530
Total Disbursements	4,413,637	5,721,159	4,157,502	1,563,657
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(654,615)	(1,308,182)	414,040	1,722,222
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds	100,000	100,000		(100,000)
Adjustment to Prior Year Surplus			2,271	2,271
Transfers From Other Funds	200,000	200,000	200,000	
Transfers To Other Funds	(445,385)	(445,385)	(559,666)	(114,281)
Total Other Adjustments to Cash (Uses)	(145,385)	(145,385)	(357,395)	(212,010)
Net Change in Fund Balance	(800,000)	(1,453,567)	56,645	1,510,212
Fund Balance - Beginning	800,000	1,454,229	1,467,988	13,759
Fund Balance - Ending	$ 0	$ 662	$ 1,524,633	$ 1,523,971

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

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
In Lieu Tax Payments	$ 35,000	$ 35,000	$ 2,870	$ (32,130)
Intergovernmental	2,145,364	2,603,277	2,245,419	(357,858)
Miscellaneous	500	6,928	28,054	21,126
Total Receipts	2,180,864	2,645,205	2,276,343	(368,862)
DISBURSEMENTS				
General Government	500	500		500
Protection to Persons and Property		15,000	8,660	6,340
Roads	1,118,971	1,500,201	1,222,778	277,423
Debt Service	633,325	634,325	634,325	
Capital Projects	683,000	864,847	669,089	195,758
Administration	295,068	754,225	290,531	463,694
Total Disbursements	2,730,864	3,769,098	2,825,383	943,715
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(550,000)	(1,123,893)	(549,040)	574,853
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(200,000)	(200,000)	(200,000)	
Total Other Adjustments to Cash (Uses)	(200,000)	(200,000)	(200,000)	
Net Change in Fund Balance	(750,000)	(1,323,893)	(749,040)	574,853
Fund Balance - Beginning	750,000	1,323,893	1,323,893	
Fund Balance - Ending	$ 0	$ 0	$ 574,853	$ 574,853

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

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	$ 83,500	$ 84,277	$ 86,433	$ 2,156
Charges for Services	16,000	16,494	17,795	1,301
Miscellaneous	100	100		(100)
Total Receipts	99,600	100,871	104,228	3,357
DISBURSEMENTS				
Protection to Persons and Property	592,985	620,977	612,270	8,707
Administration	98,000	100,887	94,600	6,287
Total Disbursements	690,985	721,864	706,870	14,994
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(591,385)	(620,993)	(602,642)	18,351
Other Adjustments to Cash (Uses)				
Adjustment to Prior Year Surplus			278	278
Transfers From Other Funds	591,385	591,385	595,385	4,000
Total Other Adjustments to Cash (Uses)	591,385	591,385	595,663	4,278
Net Change in Fund Balance		(29,608)	(6,979)	22,629
Fund Balance - Beginning		29,608	29,608	
Fund Balance - Ending	$ 0	$ 0	$ 22,629	$ 22,629

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

	LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	$ 146,000	$ 377,333	$ 360,690	$ (16,643)
Total Receipts	146,000	377,333	360,690	(16,643)
DISBURSEMENTS				
General Government		35,000	30,278	4,722
Protection to Persons and Property		198,561	198,562	(1)
Capital Projects		15,629	15,629	
Administration		1,578		1,578
Total Disbursements		250,768	244,469	6,299
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	146,000	126,565	116,221	(10,344)
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(146,000)	(146,000)	(69,075)	76,925
Total Other Adjustments to Cash (Uses)	(146,000)	(146,000)	(69,075)	76,925
Net Change in Fund Balance		(19,435)	47,146	66,581
Fund Balance - Beginning		19,435	19,435	
Fund Balance - Ending	$ 0	$ 0	$ 66,581	$ 66,581

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

	FOREST FIRE PROTECTION FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	$ 5,000	$ 5,000	$ 2,988	$ (2,012)
Total Receipts	5,000	5,000	2,988	(2,012)
DISBURSEMENTS				
Protection to Persons and Property	5,000	7,672	3,783	3,889
Total Disbursements	5,000	7,672	3,783	3,889
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(2,672)	(795)	1,877
Net Change in Fund Balance		(2,672)	(795)	1,877
Fund Balance - Beginning		2,672	2,672	
Fund Balance - Ending	$ 0	$ 0	$ 1,877	$ 1,877

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

	SPECIAL PROJECTS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Licenses and Permits	$	$	$ 1,800	$ 1,800
Intergovernmental	203,910	203,910	189,145	(14,765)
Miscellaneous	9,000	9,000	8,300	(700)
Total Receipts	212,910	212,910	199,245	(13,665)
DISBURSEMENTS				
General Government	5,780	5,780	1,200	4,580
General Health and Sanitation	40,800	57,519	28,067	29,452
Capital Projects	163,505	171,799	171,798	1
Administration	8,605	17,610	9,581	8,029
Total Disbursements	218,690	252,708	210,646	42,062
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(5,780)	(39,798)	(11,401)	28,397
Other Adjustments to Cash (Uses)				
Adjustment to Prior Year Surplus			250	250
Transfers From Other Funds			33,356	33,356
Total Other Adjustments to Cash (Uses)			33,606	33,606
Net Change in Fund Balance	(5,780)	(39,798)	22,205	62,003
Fund Balance - Beginning	5,780	39,136	196,842	157,706
Fund Balance - Ending	$ 0	$ (662)	$ 219,047	$ 219,709

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

	COUNTY CLERK DOCUMENT FEE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	$ 18,000	$ 18,000	$ 13,160	$ (4,840)
Interest			2	2
Total Receipts	18,000	18,000	13,162	(4,838)
DISBURSEMENTS				
General Government	18,000	21,765	15,593	6,172
Total Disbursements	18,000	21,765	15,593	6,172
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(3,765)	(2,431)	1,334
Net Change in Fund Balance		(3,765)	(2,431)	1,334
Fund Balance - Beginning		3,765	3,765	
Fund Balance - Ending	$ 0	$ 0	$ 1,334	$ 1,334

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

	PUBLIC PROPERTIES FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	$ 150	$ 150	$ 161	$ 11
Total Receipts	150	150	161	11
DISBURSEMENTS				
General Government		45,899	45,172	727
Administration	410,600	364,732		364,732
Total Disbursements	410,600	410,631	45,172	365,459
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(410,450)	(410,481)	(45,011)	365,470
Net Change in Fund Balance	(410,450)	(410,481)	(45,011)	365,470
Fund Balance - Beginning	410,450	410,481	410,481	
Fund Balance - Ending	$ 0	$ 0	$ 365,470	$ 365,470

**MORGAN COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES**

June 30, 2025

Note 1. Budgetary Information

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

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

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

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MORGAN COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2025

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MORGAN COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2025

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	$ 5,174,718	$	$	$ 5,174,718
Buildings	24,622,780			24,622,780
Vehicles and Equipment	3,518,940	92,807	31,300	3,580,447
Furnishings	43,773	28,239		72,012
Infrastructure	19,726,775	931,370		20,658,145
Total Capital Assets	$ 53,086,986	$ 1,052,416	$ 31,300	$ 54,108,102

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

June 30, 2025

Note 1. Capital Assets

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

	Capitalization Threshold	Useful Life (Years)
Land Improvements	$ 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 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, 2025 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 29, 2026.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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Report on Compliance And Other Matters

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

Purpose of this Report

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

Respectfully submitted,

Allison Ball

Allison Ball
Auditor of Public Accounts
Frankfort, Ky

July 29, 2026

CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

MORGAN COUNTY FISCAL COURT

For The Year Ended June 30, 2025

Appendix A

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CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE

MORGAN COUNTY FISCAL COURT

For The Year Ended June 30, 2025

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