

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2022

**NEW ISSUE
BOOK-ENTRY-ONLY-SYSTEM**

**BANK ELIGIBLE
NO RATING APPLIED FOR**

In the opinion of Bond Counsel, based upon present laws, regulations, rulings, and decisions in effect on the date of delivery of the Bonds, and assuming continuing compliance with certain covenants made by the County, interest on the Bonds [including any original issue discount properly allocable to an owner thereof] is excludable from gross income for federal income tax purposes upon the conditions and subject to the limitations set forth herein under "Tax Exemption." Furthermore, interest on the Bonds will not be treated as a specific item of tax preference in computing the alternative minimum tax. Receipt of interest on the Bonds may result in other federal income tax consequences to certain holders of the Bonds. Interest on the Bonds is exempt from income taxation and the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

\$2,500,000*

**LESLIE COUNTY, KENTUCKY
GENERAL OBLIGATION BONDS
SERIES 2022**

Dated: Date of Delivery

Due: As shown within

Interest on the County of Leslie, Kentucky General Obligation Bonds, Series 2022 (the "Bonds" or "Series 2022 Bonds") will be payable, from the date of delivery, on February 1 and August 1 commencing August 1, 2022. The Bonds are issuable in book entry form only, registered initially in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Investors will not receive certificates representing their interest in the Bonds purchased. Individual purchase will be made in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. Principal and premium, if any, for the Bonds will be payable at the principal corporate trust office of US Bank National Association, Louisville, Kentucky, Paying Agent and Registrar (the "Paying Agent").

The Bonds are subject to redemption prior to maturity as described herein.

The Bonds constitute general obligations of the County of Leslie, Kentucky, the issuer (the "County" or "Issuer") secured by an irrevocable pledge of the full faith, credit, and taxing power of the County.

FOR MATURITIES, INTEREST RATES AND PRICES OR YIELDS, SEE THE INSIDE COVER

The Purchaser of the Bonds may specify to the County that any of the Bonds may be combined with immediately succeeding sequential maturities into a Term Bond or Term Bonds, bearing a single rate of interest, with the maturities set forth on the inside cover (or as may be adjusted as provided herein) comprising mandatory sinking fund redemption amounts for such Term Bond(s).

The Bonds are being issued by the County for the purpose of financing (i) the acquisition and construction of a Gas Distribution System, hereinafter defined, located solely within the geographical boundaries of the County, for lease to a natural gas company (the "Gas Pipeline Project"), (ii) the acquisition, construction of, and/or capital improvements to, a Public Park, hereinafter defined, to be owned and operated by the County for the benefit of, and use by, the general public (the "Public Park Project"); (iii) the resurfacing of County roads and areas (the "Resurfacing Project"); (iv) the reimbursement of certain expenditures relating to the Gas Pipeline Project, the Public Park Project, and/or the Resurfacing Project; (v) payment of capitalized and/or accrued interest, if any; and, (vi) payment of the Cost of Issuance (the "Project").

The County deems this Preliminary Official Statement to be final for purposes of Security and Exchange Commission Rule 15c2-12, except for the cover and certain pages herein which will be completed upon the sale of the Bonds in accordance with such rule. The Bonds are offered when, as, and if issued, subject to the approval of legality and tax exemption by GBJ & Associates, PLLC, Nicholasville, Kentucky, Bond Counsel. Bids are to be submitted electronically to bskinner@rsamuni.com or by mail or hand delivery to RSA Advisors LLC 147 E. Third Street, Lexington, Kentucky 40508, Attn: Bryan Skinner Telephone (859)977-6600 by 11:00 AM (ET) on January 12, 2022. Delivery of the Bonds is expected on or about February 2, 2022.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.



**Preliminary, subject to adjustment.*

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sales of these Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the laws of any such jurisdiction.

MATURITY SCHEDULE

\$2,500,000*
LESLIE COUNTY, KENTUCKY
GENERAL OBLIGATION BONDS
SERIES 2022

<u>Maturing February 1</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>CUSIP</u>	<u>Maturing February 1</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>CUSIP</u>
2023	\$60,000.00	%		2038	80,000.00	%	
2024	60,000.00	%		2039	85,000.00	%	
2025	65,000.00	%		2040	85,000.00	%	
2026	65,000.00	%		2041	85,000.00	%	
2027	65,000.00	%		2042	90,000.00	%	
2028	65,000.00	%		2043	90,000.00	%	
2029	65,000.00	%		2044	95,000.00	%	
2030	70,000.00	%		2045	95,000.00	%	
2031	70,000.00	%		2046	100,000.00	%	
2032	70,000.00	%		2047	105,000.00	%	
2033	70,000.00	%		2048	105,000.00	%	
2034	75,000.00	%		2049	110,000.00	%	
2035	75,000.00	%		2050	110,000.00	%	
2036	75,000.00	%		2051	115,000.00	%	
2037	80,000.00	%		2052	120,000.00	%	

** Preliminary, subject to adjustment*

LESLIE COUNTY, KENTUCKY

William R. Lewis, Judge/Executive
Russell Brock, Magistrate
Robert Napier, Magistrate
John Newell, Magistrate
Brown Sizemore, Magistrate

Leroy Lewis, County Attorney
Jennifer Bowling, County Treasurer
Onzie Sizemore, Fiscal Court Clerk

BOND COUNSEL

GBJ & Associates, PLLC
Nicholasville, Kentucky

FINANCIAL ADVISOR

RSA Advisors, LLC
Lexington, Kentucky

BOND REGISTRAR/PAYING AGENT

US Bank National Association
Louisville, Kentucky

REGARDING THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds of the County. No dealer, broker, salesman, or other person has been authorized by the County to give any information or to make any representation, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the County. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information and expressions of opinion herein are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof.

Upon issuance, the Bonds will not be registered by the County under any federal or state securities law and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity or agency except the County will have passed upon the accuracy or adequacy of this Official Statement or approved the Bonds for sale.

All financial and other information presented in this Official Statement has been provided by the County from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the County. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future.

Insofar as the statements contained in this Official Statement involve matters of opinion or estimates, even if not expressly stated as such, such statements are made as such and not as representations of fact or certainty, no representation is made that any of the statements have been or will be realized, and such statements should be regarded as suggesting independent investigation or consultation of other sources prior to the making of investment decisions. Certain information may not be current; however, attempts were made to date and document sources of information. Neither this Official Statement nor any oral or written representations by or on behalf of the County preliminary to sale of the Bonds should be regarded as part of the County's contract with the successful bidder or the holders from time to time of the Bonds.

References herein to provisions of Kentucky law, whether codified in the Kentucky Revised Statutes ("KRS") or uncodified, or to the provisions of the Kentucky Constitution or the County's ordinances or resolutions, are references to such provisions as they presently exist. Any of these provisions may from time to time be amended, repealed, or supplemented.

As used in this Official Statement, "debt service" means principal, interest, and any premium, if any, on, the obligations referred to; "County" means Leslie County, Kentucky and "State" or "Kentucky" means the Commonwealth of Kentucky.

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OFFICIAL STATEMENT
Relating to the Issuance of
\$2,500,000*
LESLIE COUNTY, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2022

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and appendices hereto, is to provide certain information with respect to the issuance of \$2,500,000* aggregate principal amount of the General Obligation Bonds, Series 2022 (the “Bonds”) of Leslie County, Kentucky (the “County” or the “Issuer”) as specified on the cover hereof.

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

The County

The Bonds are being issued by the County, which is a body politic and a political subdivision of the Commonwealth of Kentucky, organized and existing under and by virtue of the laws and Constitution of the Commonwealth of Kentucky, with its principal address at 22010 Main Street, Hyden, Kentucky 41749.

Security

The Bonds are a general obligation debt of the County to which the full faith, credit, revenue, and taxes of the County have been pledged. The basic security for the Bonds is the County’s ability to levy an annual tax to pay the principal, interest, and premium, if any, due on the Bonds, as and when the same become due and payable. (See “THE BONDS - Security,” herein.)

Purpose

The Bonds are being issued by the County for the purpose of financing either one or more of the following: (i) the acquisition and construction of a Gas Distribution System, hereinafter defined, located solely within the geographical boundaries of the County, for lease to a natural gas company (the “Gas Pipeline Project”), (ii) the acquisition, construction of, and/or capital improvements to, a Public Park,

* Preliminary, subject to adjustment

hereinafter defined, to be owned and operated by the County for the benefit of, and use by, the general public (the “Public Park Project”); (iii) the resurfacing of County roads and areas (the “Resurfacing Project”); (iv) the reimbursement of certain expenditures relating to the Gas Pipeline Project, the Public Park Project, and/or the Resurfacing Project; (v) payment of capitalized and/or accrued interest, if any; and, (vi) payment of the Cost of Issuance (collectively the “Project”);

Description of the Bonds

The Bonds mature as indicated on the inside cover page hereof. The Bonds are being offered in the denominations of \$5,000 or any integral multiple thereof.

Redemption

The Bonds are subject to redemption prior to maturity as further described herein. (See “THE BONDS – Redemption Provisions” herein)

Book Entry

The Bonds are issuable only as fully registered Bonds, without coupons. The Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Bonds. Purchasers will not receive certificates representing their ownership interest in the Bonds purchased. So, long as DTC or its nominee is the registered owner of the Bonds, payments of the principal of and interest due on the Bonds will be made directly to DTC. Principal of, redemption premium, if any, and interest on the Bonds will be paid directly to DTC by US Bank National Association Louisville, Kentucky as Bond Registrar and Paying Agent (the “Registrar and Paying Agent”). (See “The BONDS-Book-Entry-Only System” herein.)

Interest

The Bonds shall be dated their date of delivery and bear interest from their dated date at the rates set forth on the cover hereof, payable semi-annually on February 1 and August 1, beginning August 1, 2022, calculated on the basis of a 360-day year with 30-day months.

Tax Exemption

Under the laws, regulations, rulings, and judicial decisions in effect as of the date hereof, interest on the Bonds is excludable from gross income for Federal income tax purposes, pursuant to the Internal Revenue Code of 1986, as amended (the “Code”). Furthermore, interest on the Bonds will not be treated as a specific item of tax preference in computing the alternative minimum tax. In rendering the opinions regarding tax exemptions, Bond Counsel has assumed continuing compliance with certain covenants designed to meet the requirements of Section 103 of the Code. Bond Counsel expresses no other opinion

as to the federal tax consequences of purchasing, holding, or disposing of the Bonds. Interest on the Bonds is also exempt from income taxation and the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

The Bonds have been designated as “qualified tax-exempt obligations” with respect to certain financial institutions under Section 265 of the Code.

See Appendix C hereto for the form of the opinion Bond Counsel proposes to deliver in connection with the Bonds.

Parties to the Issuance of the Bonds

The Registrar and Paying Agent is US Bank National Association. Legal matters incident to the issuance of the Bonds and with regard to the tax-exempt status of the interest thereon are subject to the approving legal opinion of GBJ & Associates, PLLC, Nicholasville, Kentucky, Bond Counsel. The Financial Advisor to the County is RSA Advisors, LLC, Lexington, Kentucky.

Authority for Issuance

Authority for the issuance of the Bonds is found in Sections 158 and 159 of the Constitution of the Commonwealth of Kentucky; Sections 66.011 through 66.171 of the Kentucky Revised Statutes, as amended, (the “Act”); and, Ordinance No. 2021-001, adopted by the County on May 26, 2021 (the “Ordinance”),

Disclosure Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. This Official Statement and continuing disclosure documents of the County are intended to be made available to the Municipal Securities Rulemaking Bond (“MSRB”) through its Electronic Municipal Market Access (“EMMA”) system. Copies of the basic documentation relating to the Bonds, including the authorizing ordinance are available from the County.

Additional Information

Additional information concerning this Official Statement, as well as copies of the basic documentation relating to the Bonds, are available from RSA Advisors, LLC, Financial Advisor to Leslie County, Kentucky, 147 E. Third Street Lexington, Kentucky 40508, 859.977.6600.

THE COUNTY

The County is a political subdivision of the Commonwealth of Kentucky.

The County is governed by a Fiscal Court consisting of an elected County Judge/Executive and four (4) Magistrates who are all elected to four-year terms. These five members comprise the Fiscal Court. There is no limitation for succession by any member of the Fiscal Court. see “COUNTY GOVERNMENT” herein for additional information regarding the operations and management of the County.

Demographic, economic, and financial information with respect to the County and the surrounding area is set forth in Appendix A and B hereto.

THE BONDS

Description

The Bonds will be general obligation bonds of the County, will be issuable in fully registered form in denominations of \$5,000 each or any whole multiple thereof and, when issued, will be registered to Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”); will be dated the date of their delivery; will bear interest payable on August 1, 2022, and semiannually on February 1 and August 1 of each year thereafter; and will mature on February 1 of each year, in the years and in the principal amounts as set forth on the inside cover page of this Official Statement.

The interest installment on each Bond will be paid to the person who is the Registered Owner thereof as of the close of business on the Record Date for such interest installment, which Record Date will be the 15th day (whether or not a business day) of the calendar month next preceding such interest payment date. Payment of interest will be made by check or draft mailed to the person who is the Registered Owner on the applicable Record Date at the address of such Registered Owner as it appears on the books of the Paying Agent and Bond Registrar. Principal will be paid when due upon delivery of the Bond for payment at the principal office of the Paying Agent and Bond Registrar.

Book-Entry-Only System

Beneficial ownership interests in the Bonds will be available only in book-entry form. Beneficial owners of the Bonds (“Beneficial Owners”) will not receive physical Bonds certificates representing their interests in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, references in this Official Statement to the Holders of the Bonds shall mean DTC or its nominee and shall not mean the Beneficial Owners. Unless and until the book-entry only system has been discontinued, the Bonds will be available only in book-entry form in principal amounts of \$5,000 or any integral multiple thereof.

THE FOLLOWING DESCRIPTION OF DTC, ITS PROCEDURES AND RECORD KEEPING ON BENEFICIAL OWNERSHIP INTERESTS IN THE BONDS, PAYMENT OF INTEREST AND

OTHER PAYMENTS ON THE NOTES TO DTC PARTICIPANTS (AS DEFINED HEREIN) OR TO BENEFICIAL OWNERS, CONFIRMATION AND TRANSFER OF BENEFICIAL OWNERSHIP INTERESTS IN THE BONDS AND OF OTHER TRANSACTIONS BY AND BETWEEN DTC, DTC PARTICIPANTS AND BENEFICIAL OWNERS IS BASED ON INFORMATION FURNISHED BY DTC.

Depository Trust Company. DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of the Bonds, and will be deposited with DTC.

DTC Participants and Indirect Participants. DTC, the world's largest depository, is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of certificated Bonds. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). DTC has Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Beneficial Owners. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchases. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on

behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that the use of the book-entry only system for the Bonds is discontinued.

Transfers and Exchanges. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co., or such other nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants; by Direct Participants to Indirect Participants; and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Resolution. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Notices; Redemption. Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Bonds to be redeemed.

Consents and Voting. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Registrar, as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and Interest Payments. Payment of principal, redemption premium, if any, and interest will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Registrar and Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the

responsibility of such Participant and not of DTC, the Registrar and Paying Agent or the County subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Paying Agent, and disbursement of such payments to the Direct Participants will be the responsibility of DTC, and disbursements of such payments to Beneficial Owners will be the responsibility of the Direct and Indirect Participants. THE COUNTY CAN GIVE NO ASSURANCE THAT DIRECT AND INDIRECT PARTICIPANTS WILL PROMPTLY TRANSFER PAYMENTS TO BENEFICIAL OWNERS.

DTC may discontinue providing its service as depository for the Bonds at any time by giving reasonable notice to the Registrar or the County. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered. The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources the County believes to be reliable, but the County takes no responsibility for the accuracy thereof.

SO LONG AS CEDE & CO., AS NOMINEE FOR DTC, IS THE SOLE HOLDER OF THE BONDS, THE COUNTY SHALL TREAT CEDE & CO. AS THE ONLY HOLDER OF THE BONDS FOR ALL PURPOSES, INCLUDING RECEIPT OF ALL PRINCIPAL AND PREMIUM OF AND INTEREST ON THE BONDS, RECEIPT OF NOTICES, VOTING AND REQUESTING OR DIRECTING THE COUNTY. THE COUNTY, THE REGISTRAR AND THE PAYING AGENT HAVE NO RESPONSIBILITY OR OBLIGATION TO THE PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT, OR THE MAINTENANCE OF ANY RECORDS; (2) THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE BONDS, OR THE SENDING OF ANY TRANSACTION STATEMENTS; (3) THE DELIVERY OR TIMELINESS OF DELIVERY BY DTC OR ANY PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE RESOLUTION TO BE GIVEN TO BENEFICIAL OWNERS; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENTS UPON ANY PARTIAL REDEMPTION OF THE BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE BONDS, INCLUDING ANY ACTION TAKEN PURSUANT TO AN OMNIBUS PROXY.

Discontinuance of Book-Entry-Only System. In the event that the Bonds are no longer in book-entry-only form, the certificates held by DTC or a successor securities depository will be cancelled and the County will execute and deliver the Bonds in fully registered form to the Beneficial Owners of the Bonds as shown on the records of the DTC Participants or the nominee of a successor securities depository. If no other securities depository is named, interest on the Bonds shall be payable to the

Registered Owners on each interest payment date and principal of the Bonds at maturity upon presentation and surrender thereof to the Paying Agent at its corporate trust office. The Bonds would be transferable on the registration books of the County maintained by the Registrar by the registered owner in person or by his duly authorized attorney upon surrender of the Bond to be transferred together with a written instrument of transfer duly executed by the registered owner or his duly authorized attorney. The Registrar will, upon receipt thereof, authenticate and deliver a new Bond or Bonds in like principal amounts as the Bond so presented. The County and the Paying Agent will deem and treat the person in whose name each Bond is registered as the absolute owner thereof for all purposes.

Redemption Provisions

(a) Optional Redemption. The Bonds maturing on or after February 1, 2031 will be subject to redemption prior to maturity, in whole or in part, at the option of the County, on any date on or after February 1, 2030 from any moneys available therefore, at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest to the redemption date.

(b) Mandatory Sinking Fund Redemption. [Purchaser’s option] The Bonds maturing on the dates set forth below are subject to mandatory sinking fund redemption prior to maturity at the redemption price of 100% of the principal amount of to be redeemed, plus accrued interest to the redemption date, on the dates, in the years and in the principal amounts as follows:

<u>February 1</u>	<u>Principal Amount</u>
20__	\$

(c) Notice of Redemption. If less than all Bonds which are payable by their terms on the same date are to be called, the particular Bonds, or portions of Bonds payable on such same date and to be redeemed from such series, shall be selected by lot by the Registrar and Paying Agent, in such manner as the Registrar and Paying Agent in its discretion may determine; provided, however, that the portion of any Bond to be redeemed shall be in the principal amount of \$5,000 or some multiple thereof, and that, in selecting Bonds for redemption, the Registrar and Paying Agent shall treat each Bond as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by \$5,000.

At least thirty (30) days before the redemption date of any Bonds, the Registrar and Paying Agent shall cause a notice of such redemption to be mailed, postage prepaid, to all Registered Owners of the Bonds to be redeemed at their addresses as they appear on the registration books kept by the Registrar and Paying Agent, but failure to mail any such notice shall not affect the validity of the proceedings for such redemption. Each such notice shall set forth the date fixed for redemption, the redemption price to be paid and, if less than all of the Bonds being payable by their terms on a single date then outstanding shall be called for redemption, the distinctive numbers or letters, if any, of such Bonds to be redeemed and, in

* Preliminary, subject to adjustment

the case of Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed. In case any Bond is to be redeemed in part only, the notice of redemption which relates to such Bond shall state also that on or after the redemption date upon surrender of such Bonds, a new Bond in principal amount equal to the unredeemed portion of such Bonds will be issued.

On the date so designated for redemption, notice having been sent in the manner and under the conditions hereinabove provided and moneys for payment of the redemption price being held in separate accounts by the Bond Registrar/Paying Agent for the Bondowners or portions thereof to be redeemed, the Bonds or portions of Bonds so called for redemption shall become and be due and payable at the redemption price provided for redemption of such Bonds or portions of Bonds on such date, interest on the Bonds or portions of the Bonds so called for redemption shall cease to accrue, and the Bondowners or Registered Owners of such Bonds or portions of Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof and to receive Bonds for any unredeemed portions of Bonds.

In case part but not all of an outstanding Bond shall be selected for redemption, the Registered Owner thereof or his attorney or legal representative shall present and surrender such Bond to the Bond Registrar/Paying Agent for payment of the principal amount hereof so called for redemption, and the County shall execute and the Bond Registrar/Paying Agent shall authenticate and deliver to or upon the order of such Registered Owner or his legal representative, without charge therefor, for the unredeemed portion of the principal amount of the Bond so surrendered a Bond of the same series and maturity and bearing interest at the same rate.

With respect to any notice of any optional redemption of the Bonds, unless at the time such notice is given the Bonds to be redeemed shall be deemed to have been paid, such notice shall state that such redemption is conditional upon receipt by the Bond Registrar/Paying Agent, on or prior to the date fixed for such redemption, of moneys that, together with other available moneys held by the Bond Registrar/Paying Agent, are sufficient to pay the redemption price of, and accrued interest on, the Bonds to be redeemed, and that if such moneys shall not have been so received said notice shall be of no force and effect and the County shall not be required to redeem such Bonds. In the event a notice of redemption of the Bonds contains such a conditions and such moneys are not so received, the redemption of the Bonds as described in the conditional notice of redemption shall not be made and the Bond Registrar/Paying Agent shall, within a reasonable time after the date on which such redemption was to occur, give notice to the respective Owners of the Bonds designated for redemption in the manner in which the notice of redemption was given, that such moneys were not so received and that there shall be no redemption of the Bonds pursuant to such notice of redemption.

Authorization

Authority for the issuance of the Bonds is found in Sections 158 and 159 of the Constitution of the Commonwealth of Kentucky; Sections 66.011 through 66.171 of the Kentucky Revised Statutes, as amended and Ordinance No. 2021-001, adopted by the County on May 26, 2021.

The purpose for which the Bonds are being issued is permitted by the Ordinance.

Purpose

The Bonds are being issued for the purpose of financing either one or more of the following: (i) the acquisition and construction of a Gas Distribution System, hereinafter defined, located solely within the geographical boundaries of the County, for lease to a natural gas company (the “Gas Pipeline Project”), (ii) the acquisition, construction of, and/or capital improvements to, a Public Park, hereinafter defined, to be owned and operated by the County for the benefit of, and use by, the general public (the “Public Park Project”); (iii) the resurfacing of County roads and areas (the “Resurfacing Project”); (iv) the reimbursement of certain expenditures relating to the Gas Pipeline Project, the Public Park Project, and/or the Resurfacing Project; (v) payment of capitalized and/or accrued interest, if any; and, (vi) payment of the Cost of Issuance.

Security

Under the terms of the Ordinance, the Bonds constitute a general obligation of the County and the full faith, credit and taxing power of the County is irrevocably pledged to the prompt payment of principal of and interest on the Bonds when due.

In compliance with Section 159 of the Constitution of Kentucky and the Act, and for the purpose of providing funds required to pay the interest on the Bonds when due and in order to create a sinking fund to pay the principal of the Bonds (and premium, if any) when due, the Ordinance authorizes the levy upon all of the taxable property in the County, each year as long as any of the Bonds are outstanding, a direct annual tax sufficient, to the extent other lawfully available moneys of the County are not provided for that purpose. The proceeds derived from said tax levied from time to time, together with other lawfully available moneys of the County provide for the payment of the Bonds, shall be deposited and carried in a special account of the County and shall be applied only for the purpose of paying the principal of and interest (and premium, if any) on the Bonds, which shall be designated the County’s “General Obligation Bonds, Series 2022 Sinking Fund” (the “Sinking Fund”). The proceeds of said tax and the balances accumulated from time to time in the Sinking Fund are irrevocably pledged for the purpose of paying the interest on (and premium, if any) and principal of the Bonds and shall never be used for any other purpose.

Under the Ordinance, The County covenants with Owners of the Bonds that it shall levy each year a Tax in a sufficient amount and appropriate in its annual budget, together with other moneys available to it, to the extent Facility or Facilities Revenues are not sufficient, an amount of funds sufficient to pay the “debt charges” on the Bonds as defined in Section 66.011(4) of the Kentucky Revised Statutes.

Pursuant to the Constitution of Kentucky and the Act, the County has adopted the Ordinance and has covenanted to levy and collect each year that the Bonds remain outstanding a tax in an amount sufficient to provide for the full payment of the principal and interest requirements of said Bonds; provided, however, that said tax will be levied only to the extent that other County revenues or other receipts from taxes are not sufficient to provide for the full payment of the accruing interest and maturing principal on the Bonds.

Defeasance

The County reserves the right at all times to make provision for discharge of all Bonds by depositing into the Sinking Fund moneys sufficient to pay all principal and interest requirements on the Bonds to and on the first or next date of redemption, or to the date of maturity, together with sufficient additional moneys to redeem and discharge all outstanding Bonds on such redemption date, or to deposit into the Sinking Fund such principal amount of Permissible Investment Obligations as shall, with earnings thereon, produce an identical result.

“Permissible Investment Obligations” means any of the following:

(a) direct obligations of the United States of America or agencies thereof or obligations, the payment of principal or interest on which, in the opinion of the Attorney General of the United States, is fully and unconditionally guaranteed by the United States of America;

(b) obligations of the Federal Home Loan Bank (“FHLB”); and

(c) non-callable, U. S. Treasury Securities – State and Local Government Series (“SLGS”).

THE PROJECT

Proceeds from the sale of the Bonds will be used to finance either one or more of the following (i) the acquisition and construction of a Gas Distribution System, hereinafter defined, located solely within the geographical boundaries of the County, for lease to a natural gas company (the “Gas Pipeline Project”), (ii) the acquisition, construction of, and/or capital improvements to, a Public Park, hereinafter defined, to be owned and operated by the County for the benefit of, and use by, the general public (the “Public Park Project”); (iii) the resurfacing of County roads and areas (the “Resurfacing Project”); (iv) the reimbursement of certain expenditures relating to the Gas Pipeline Project, the Public Park Project, and/or the Resurfacing Project; (v) payment of capitalized and/or accrued interest, if any; and, (vi) payment of the Cost of Issuance.

“Public Park” means that real property, including capital improvements, owned and operated by the County as a park, to include music venue, RV parking, All Terrain Vehicle (“ATV”) Trails, Trail works, and Trail Head Buildings, and such other capital improvements required or necessary, which are

for use by the general public and operated with the advice of the Kentucky Recreational Trail Authority, created and established pursuant to KRS 148.795.

“Gas Distribution System” means personal property and/or equipment subject to the allowance for depreciation under Section 167 of the Code, and land, necessary or required to produce, collect, generate, transmit, store, distribute, or convey natural gas.

“Resurfacing Project” means resurfacing of County roads and areas.

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ESTIMATED SOURCES AND USES OF FUNDS

Sources of Funds:	
Par Amount Bonds	\$2,500,000.00*
(Less)(Plus) Original Issue (Discount)(Premium)	
Total Sources	
Uses of Funds:	
Total Uses	

ESTIMATED NET DEBT SERVICE

The following table sets forth the fiscal year debt service requirement for the Bonds:

Date	Principal	Interest	Total
Date	Principal	Interest	Total
08/01/2022		\$31,379.85	\$31,379.85
02/01/2023	\$60,000.00	30,531.75	90,531.75
08/01/2023		30,207.75	30,207.75
02/01/2024	60,000.00	30,207.75	90,207.75
08/01/2024		29,871.75	29,871.75
02/01/2025	65,000.00	29,871.75	94,871.75
08/01/2025		29,472.00	29,472.00
02/01/2026	65,000.00	29,472.00	94,472.00
08/01/2026		29,026.75	29,026.75
02/01/2027	65,000.00	29,026.75	94,026.75
08/01/2027		28,532.75	28,532.75
02/01/2028	65,000.00	28,532.75	93,532.75
08/01/2028		27,993.25	27,993.25
02/01/2029	65,000.00	27,993.25	92,993.25
08/01/2029		27,401.75	27,401.75
02/01/2030	70,000.00	27,401.75	97,401.75
08/01/2030		26,715.75	26,715.75
02/01/2031	70,000.00	26,715.75	96,715.75
08/01/2031		25,987.75	25,987.75
02/01/2032	70,000.00	25,987.75	95,987.75
08/01/2032		25,228.25	25,228.25
02/01/2033	70,000.00	25,228.25	95,228.25
08/01/2033		24,437.25	24,437.25
02/01/2034	75,000.00	24,437.25	99,437.25
08/01/2034		23,567.25	23,567.25
02/01/2035	75,000.00	23,567.25	98,567.25
08/01/2035		22,678.50	22,678.50
02/01/2036	75,000.00	22,678.50	97,678.50
08/01/2036		21,763.50	21,763.50
02/01/2037	80,000.00	21,763.50	101,763.50
08/01/2037		20,763.50	20,763.50
02/01/2038	80,000.00	20,763.50	100,763.50
08/01/2038		19,735.50	19,735.50
02/01/2039	85,000.00	19,735.50	104,735.50
08/01/2039		18,609.25	18,609.25
02/01/2040	85,000.00	18,609.25	103,609.25

08/01/2040		17,466.00	17,466.00
02/01/2041	85,000.00	17,466.00	102,466.00
08/01/2041		16,305.75	16,305.75
02/01/2042	90,000.00	16,305.75	106,305.75
08/01/2042		15,059.25	15,059.25
02/01/2043	90,000.00	15,059.25	105,059.25
08/01/2043		13,794.75	13,794.75
02/01/2044	95,000.00	13,794.75	108,794.75
08/01/2044		12,450.50	12,450.50
02/01/2045	95,000.00	12,450.50	107,450.50
08/01/2045		11,096.75	11,096.75
02/01/2046	100,000.00	11,096.75	111,096.75
08/01/2046		9,661.75	9,661.75
02/01/2047	105,000.00	9,661.75	114,661.75
08/01/2047		8,149.75	8,149.75
02/01/2048	105,000.00	8,149.75	113,149.75
08/01/2048		6,632.50	6,632.50
02/01/2049	110,000.00	6,632.50	116,632.50
08/01/2049		5,037.50	5,037.50
02/01/2050	110,000.00	5,037.50	115,037.50
08/01/2050	-	3,437.00	3,437.00
02/01/2051	115,000.00	3,437.00	118,437.00
08/01/2051	-	1,758.00	1,758.00
02/01/2052	120,000.00	1,758.00	121,758.00
Totals:	\$2,500,000.00*	\$1,167,595.60	\$3,667,595.60

THE ORDINANCE

The following is a summary of certain of the terms and provisions of the Ordinance enacted by the County, authorizing the Bonds. Terms not otherwise defined herein shall have the meanings given in the Ordinance.

Funds and Accounts

Upon delivery of the Bonds to the purchaser or purchasers thereof and receipt of the purchase price, the same shall forthwith in each case be deposited with the Depository or such other bank as the County shall designate, as trust funds, and the Depository shall hold, treat and disburse the same, as follows:

(A) The Sinking Fund (or Bond Fund), which shall receive the receipts of the Tax and Revenues herein authorized, to the extent required for the Bonds and Pledged Receipts. Said Sinking Fund moneys shall be used only for the payment of the principal and interest requirements of the Bonds. Upon the delivery of the Bonds, the accrued interest, if any, shall be deposited into said fund.

(B) Cost of Issuance Fund, which shall receive from the proceeds of the Bonds, the amounts necessary to pay the Costs of Issuance of the Bonds upon the delivery of said Bonds. The Depository shall remit the required payments in the amounts and to the parties specified in writing by the County Judge/Executive or County Treasurer, or such other County official as may be designated by the County, upon the delivery of the Bonds. Any amounts remaining in the Costs of Issuance Fund following the payment of all such Costs of Issuance shall be transferred to the Sinking Fund.

(C) Project Fund, which shall receive a portion of the proceeds from the issuance of the Bonds, which shall be used to pay the costs and expenses associated with the Project.

(D) Any other fund authorized by this Ordinance, required by law, or deemed necessary and appropriate by the Financial Advisor.

(E) Moneys on deposit in the funds enumerated in subsections (A) through (D) of this Section shall be invested in the Investments permitted and any earnings carried to the credit of the fund from which the investment was made.

Moneys held in any of the aforementioned funds may be invested until required for the purposes intended in one or more permissible Investment Obligations.

Investment of Funds

Moneys held in any of the aforementioned funds may be invested upon the written direction of the County until required for the purposes intended in accordance with Section 66.480 of the Kentucky Revised Statutes, as amended from time to time, including one or more of the following “Investment Obligations” as permitted by Section 66.480 of Kentucky Revised Statutes, as amended:

(a) obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, provided that delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian and may be accomplished through repurchase agreements reached with sources including, but not limited to, national or state banks chartered in Kentucky;

(b) obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency, including but not limited to:

- (i) United States Treasury;
- (ii) Export-Import Bank of the United States;
- (iii) Farmers Home Administration;
- (iv) Government National Mortgage Corporation; and
- (v) Merchant Marine bonds;

(c) obligations of any corporation of the United States government, including but not limited to:

- (i) Federal Home Loan Mortgage Corporation;
- (ii) Federal Farm Credit Banks;
- (iii) Bank for Cooperatives;
- (iv) Federal Intermediate Credit Banks;
- (v) Federal Land Banks;
- (vi) Federal Home Loan Banks;
- (vii) Federal National Mortgage Association; and
- (viii) Tennessee Valley Authority;

(d) 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 or similar entity or which are collateralized, to the extent uninsured, by any obligations, including surety bonds, permitted by KRS 41.240(4), as follows:

- (i) bonds, notes, letters of credit, or other obligations of or issued or guaranteed by the United States, or those for which the credit of the United States is pledged for the payment of the principal and interest thereof, and any bonds, notes, debentures, letters of credit, or any other

obligations issued or guaranteed by any federal governmental agency or instrumentality, presently or in the future established by an Act of Congress, as amended or supplemented from time to time, including, without limitation, the United States government corporations listed in KRS 66.480(1)(c);

(ii) obligations of the Commonwealth of Kentucky including revenue bonds issued by its statutory authorities, commissions or agencies;

(iii) revenue bonds issued by educational institutions of the Commonwealth of Kentucky as authorized by KRS 162.340 to 162.380;

(iv) obligations of any County of the first, second, and third classes of the Commonwealth of Kentucky, or any county for the payment of principal and interest on which the full faith and credit of the issuing body is pledged;

(v) school improvement bonds issued in accordance with the authority granted under KRS 162.080 to 162.100;

(vi) school building revenue bonds issued in accordance with the authority granted under KRS 162.120 to 162.300, provided that the issuance of such bonds is approved by the Kentucky Board of Education; and

(vii) surety bonds issued by sureties rated in one (1) of the three (3) highest categories by a nationally recognized rating agency.

(e) Uncollateralized certificates of deposit issued by any bank or savings and loan institution rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;

(f) Bankers' acceptances for banks rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;

(g) Commercial paper rated in the highest category by a nationally recognized rating agency;

(h) Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities;

(i) Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, and rated in one (1) of the three (3) highest categories by a nationally recognized rating agency; and

(j) Shares of mutual funds, each of which shall have the following characteristics:

(i) the mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;

(ii) the management company of the investment company shall have been in operation for at least five (5) years; and

(iii) all of the securities in the mutual fund shall be eligible investments pursuant to Section 66.480 of the Kentucky Revised Statutes.

The amount of money invested at any time by the County in one or more of the categories of investments authorized by subsections (e), (f), (g) and (i) above shall not exceed twenty percent (20%) of the total amount of money invested by the County and the County shall not purchase any investment authorized by subsection (1) on a margin basis or through the use of any similar leveraging technique.

Additional Covenants

In the Ordinance, the County, among other covenants, has covenanted as follows:

The County covenants with Owners of the Bonds that it shall levy each year a Tax, as defined in the Ordinance, in a sufficient amount and appropriate in its annual budget, together with other moneys available to it, including the Project Revenues, ss defined in the Ordinance, an amount of funds sufficient to pay the “debt charges” on the Securities as defined in KRS § 66.011(4).

The County shall at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid by the County on the Bonds shall be excludable from the gross income of the recipients thereof for Federal income tax purposes under any valid provision of the Code.

The County shall not permit at any time or times any of the proceeds of the Bonds to be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause such Bonds to be “arbitrage bonds” as defined in Section 148 of the Code, as then in effect.

The County further covenants that prior to the issuance of said Bonds and as a condition precedent to such issuance, the County shall certify by issuance of a certificate of the County Judge/Executive, or County Treasurer, or such other County official as may be designated by the County, supplemental to the Ordinance, that on the basis of the facts, estimates and circumstances in existence on the date of issue of said Bonds, it is not expected that the proceeds of said Bonds will be used in a manner which would cause such obligations to be “arbitrage bonds” under the Code.

The County shall execute a Federal Tax Certificate and/or Agreement, or similar document, relating to the use of the proceeds of the Bonds, and compliance with certain requirements of the Code, to be dated the date of delivery of the Bonds (the “Tax Certificate”). The County further covenants to

comply with all representations, covenants and assurances contained in the Tax Certificate, which Tax Certificate shall constitute a part of the contract between the County and the Registered Owners of the Bonds.

INVESTMENT CONSIDERATIONS

The Bonds, like all obligations of state and local government, are subject to changes in value due to changes in the condition of the tax-exempt bond market and/or changes in the financial condition of the County.

Prospective purchasers of the Bonds may need to consult their own tax advisors prior to any purchase of the Bonds as to the impact of the Internal Revenue Code of 1986, as amended, upon their acquisition, holding or disposition of the Bonds.

If the interest component of the Bonds were to become includable in gross income for federal income tax purposes, the after-tax yield to investors could be materially decreased.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Bond Ordinance are limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered as law or in equity.

Investors should consider the risk from no rating has been applied for by the County, see "BOND RATING" herein.

Coronavirus (COVID-19)

The spread of COVID-19, a strain of coronavirus, has altered the behavior of business, State governments, local governments, and people in a manner that is having negative effects on global and local economies. Additionally, stock and bond markets in the United States, and globally, have seen significant volatility attributed to coronavirus concerns. There can be no assurance that the spread of COVID-19, or the response thereto by local, state, or the federal government, including the Commonwealth of Kentucky and the County, will not materially adversely impact the local, state, and national economies, including those of the Commonwealth of Kentucky and the County.

Kentucky is experiencing a surge in COVID-19 cases, which is occurring in part as a result of the Delta Variant and the Omicron Variant

The financial and operating data of the County contained herein are as of the dates and for the periods indicated, which were prior to the COVID-19 outbreak. Such financial and operating data have not been updated to reflect any potential impacts of the COVID-19 outbreak on the County's general economic and financial condition.

COUNTY GOVERNMENT

Organization and Major Offices

The County operates pursuant to the general statutes of the Commonwealth of Kentucky governing counties.

Elected and Appointed Officials

Leslie County is governed by a Fiscal Court, comprised of a Judge/Executive and four (4) Magistrates who are all elected to four-year terms. There are no term limitations on any member of the Fiscal Court. The members of the Fiscal Court are as follows:

William R. Lewis, Judge/Executive
Russell Brock, Magistrate
Robert Napier, Magistrate
John Newell, Magistrate
Brown Sizemore, Magistrate

The County Treasurer and the Fiscal Court Clerk are appointed by the Fiscal Court.

Financial Matters

The County Treasurer is the fiscal officer of the County. The County Treasurer is responsible for the accounting, custody, and disbursement of the funds of the County. The County Treasurer serves the Fiscal Court and the Judge/Executive as financial advisor in connection with County affairs and performs such other duties as the Fiscal Court or Judge/Executive request.

The County's fiscal year commences July 1 and ends the following June 30.

The administrative functions of the County are performed by or under the supervision of the following:

1. Establishment of overall financial policy, the Fiscal Court.
2. Planning and development, the Fiscal Court, Judge/Executive and County Treasurer.
3. Assessment of real and personal property, the Leslie County Property Valuation Administrator.
4. Financial control functions, the County Treasurer.

5. Inspection and supervision of the accounts and reports of the County as required by law, by the Auditor of Public Accounts.

Financial Management

The Fiscal Court is responsible for appropriating the funds used to support the various County activities. The Fiscal Court exercises its legislative powers by budgeting, appropriating, levying taxes, issuing bonds and notes, and letting contracts for public works and services to provide this financial management.

Financial Reports and Examinations of Accounts

Each county in the State is required to keep its accounting records and render financial reports in such a way as to: (a) determine compliance with statutory provisions; (b) determine fairly and with full disclosure the financial operations of consistent funds and account groups of the County in conformity with generally accepted governmental accounting principles; and (c) readily provide such financial data as may be required by the federal revenue sharing program. The County's accounting systems are required to be organized and operated on a fund basis. The County maintains its accounts and other fiscal records on an appropriation and modified accrual basis in accordance with the procedures established and prescribed by the Kentucky Department for Local Government. As required by law, financial reports are prepared annually by the County and filed with the Kentucky Department for Local Government. The accounting procedures prescribed by the Kentucky Department for Local Government are generally applicable to all counties in Kentucky and may be different from generally accepted government accounting principles as presented and recommended in the National Council on Governmental Accounting publication "Governmental Accounting Auditing and Financial Reporting," and the Industry Audit Guide of the American Institute of Certified Public Accountants, entitled "Audits of State and Local Governmental Units." Those publications, among other things, provide for a modified accrual basis of accounting for the general fund, all special revenue funds and the debt service fund, and for a full accrual basis of accounting for all other funds, and further provide for the preparation for each fund of balance sheets, statements of revenues and expenditures, and statements showing changes in fund balances.

Budgeting and Appropriations Procedures

Detailed provisions for county budgeting, tax levies, and appropriations are established by the Kentucky Revised Statutes. Counties are required to operate under an annual budget ordinance and no County may expend any moneys from a governmental or proprietary fund except in accordance with such budget. A budget proposal must be submitted to the fiscal court of the county no later than 30 days prior to the beginning of the fiscal year covered by the budget. Upon approval of the proposed budget, counties are required to submit the proposed budget to the State Local Finance Officer of the Commonwealth of Kentucky for approval. A proposed budget that has been approved by the State Local Finance Officer is required to be adopted by the fiscal court of the county no later than July 1 of each year or within ten days

after receipt of the certified assessment from the Commonwealth of Kentucky, whichever is later. No budget ordinance may be adopted which provides for appropriations to exceed revenues in a fiscal year. The full amount estimated to be required for debt service during the budget year must be appropriated. The State Local Finance Officer is authorized to initiate proceedings to compel compliance by the county officials with the requirements imposed by Kentucky law on counties for the administration of their financial affairs.

Debt Limitation

Kentucky Constitution Section 158 provides that Counties shall not incur indebtedness in an amount exceeding 2% of the value of the taxable property therein, to be estimated by the last assessment previous to the incurring of the indebtedness.

Nothing shall prevent the issue of renewal bonds, or bonds to fund the floating indebtedness of any city, county, or taxing district. Subject to the limits and conditions set forth in that section and elsewhere in the Constitution, the General Assembly has the power to establish additional limits on indebtedness and conditions under which debt may be incurred by counties.

KRS 66.041 provides the same limitations as are set forth in Section 158 of the Constitution except that the limitations apply to “net indebtedness.” In calculating “net indebtedness,” KRS 66.031 provides that certain obligations of a county are not to be considered in the calculation, including self-supporting obligations, revenue bonds, and special assessment debt. Appendix D of this Official Statement is a “Statement of Indebtedness, Kentucky Constitution §§ 157 and 158 and KRS 66.041” certified by the County Judge/Executive or the County Treasurer, calculating the amount of the outstanding obligations of the County (including the Bonds) that are subject to the total direct debt limit (2% limit). The total principal amount of General Obligation debt that could be issued by the County, subject to the 2% total direct debt limitation is \$7,692,264 and the County’s net debt subject to such limitation presently outstanding (including the Bonds in the amount of \$2,500,000.00*) is \$7,085,000* leaving a balance of approximately \$607,264* borrowing capacity issuable within such limitation.

However, as described below, the County’s ability to incur debt in these amounts is restricted by tax limitations. In the case of general obligation debt, both the debt limitation and tax limitations must be met.

Tax Limitation

The Kentucky Constitution Section 157 also indirectly imposes a tax limitation on general obligation indebtedness of counties by limiting the tax rates counties may impose upon the value of taxable property to fifty cents (\$.50) on each hundred dollars (\$100) of assessed valuation.

Section 159 of the Kentucky Constitution requires the collection of an annual tax sufficient to pay the interest on contracted indebtedness and to retire indebtedness over a period not exceeding forty years.

The two constitutional provisions operate as a limit on general obligation debt. Because the indirect debt limit results from tax limitations and the requirement to levy taxes to pay debt charges, it has application only to debts which are payable from taxes either initially or in the event other pledged non-tax revenues prove to be insufficient. It does not have any application where the type of debt being issued does not pledge the credit of the county or when the debt is payable solely out of the revenues of non-tax sources, such as utility income.

Appendix D of this Official Statement contains a Statement of Indebtedness, certified by the County, setting forth the property tax rate currently levied by the County of \$0.145 cents per \$100 of assessed value for real property and \$0.153 cents per \$100 of assessed value for personal property and certifying that the issuance of the Bonds will not cause such rates to increase to an amount which would exceed the maximum permissible rate.

TAX EXEMPTION

Under the laws, regulations, rulings, and judicial decisions in effect as of the date hereof, interest on the Bonds is excludable from gross income for Federal income tax purposes, pursuant to the Internal Revenue Code of 1986, as amended (the "Code"). Furthermore, interest on the Bonds will not be treated as a specific item of tax preference in computing the alternative minimum tax. In rendering the opinions regarding tax exemptions, Bond Counsel has assumed continuing compliance with certain covenants designed to meet the requirements of Section 103 of the Code. Bond Counsel expresses no other opinion as to the federal tax consequences of purchasing, holding, or disposing of the Bonds. Interest on the Bonds is also exempt from income taxation and the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

The Bonds have been designated as "qualified tax-exempt obligations" with respect to certain financial institutions under Section 265(b)(3) of the Code.

See Appendix C hereto for the form of the opinion Bond Counsel proposes to deliver in connection with the Bonds.

Original Issue Premium

"Acquisition Premium" is the excess of the cost of a bond over the stated redemption price of such bond at maturity or, for bonds that have one or more earlier call dates, the amount payable at the next earliest call date. The Bonds that bear an interest rate that is higher than the yield (as shown on the cover page hereof) (collectively, the "Premium Bonds") are being initially offered and sold to the public at an Acquisition Premium. For federal income tax purposes, the amount of Acquisition Premium on each bond the interest on which is excludable from gross income for federal income tax purposes ("tax-exempt bonds") must be amortized and will reduce the bondholder's adjusted basis in that bond. However, no amount of amortized Acquisition Premium on tax-exempt bonds may be deducted in determining bondholder's taxable income for federal income tax purposes. The amount of any Acquisition Premium paid on the Premium Bonds, or on any of the Bonds, that must be amortized during any period will be based on the "constant yield" method, using the original bondholder's basis in such bonds and

compounding semiannually. This amount is amortized ratably over that semiannual period on a daily basis.

Holders of any Bonds, including any Premium Bonds, purchased at an Acquisition Premium should consult their own tax advisors as to the actual effect of such Acquisition Premium with respect to their own tax situation and as to the treatment of Acquisition Premium for Kentucky tax purposes.

Original Issue Discount

The Bonds having a yield that is higher than the interest rate (as shown on the cover page hereof) are being offered and sold to the public at an original issue discount (“OID”) from the amounts payable at maturity thereon (the “Discount Bonds”). OID is the excess of the stated redemption price of a bond at maturity (the face amount) over the “issue price” of such bond. The issue price is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of bonds of the same maturity are sold pursuant to that initial offering. For federal income tax purposes, OID on each bond will accrue over the term of the bond, and for the Discount Bonds, the amount of accretion will be based on a single rate of interest, compounded semiannually (the “yield to maturity”). The amount of OID that accrues during each semi-annual period will do so ratably over that period on a daily basis. With respect to an initial purchaser of a Discount Bond at its issue price, the portion of OID that accrues during the period that such purchaser owns the Discount Bond is added to such purchaser’s tax basis for purposes of determining gain or loss at the maturity, redemption, sale or other disposition of that Discount Bond and thus, in practical effect, is treated as stated interest, which is excludable from gross income for federal income tax purposes.

Holders of Discount Bonds should consult their own tax advisors as to the treatment of OID and the tax consequences of the purchase of such Discount Bonds other than at the issue price during the initial public offering and as to the treatment of OID for Kentucky tax purposes.

LEGAL MATTERS

General Information

Legal matters incident to the issuance of the Bonds and with regard to the tax-exempt status thereof are subject to the approving legal opinion of GBJ & Associates, PLLC, Bond Counsel. Upon delivery of the Bonds by the County to the successful bidder therefor, the Bonds will be accompanied by an approving opinion dated the date of such delivery, rendered by GBJ & Associates, PLLC. The legal opinion for the Bonds is attached as Appendix C.

Litigation

There is no controversy or litigation of any nature now pending or, to the knowledge of the County, threatened to restrain or enjoin the issuance, sale, execution or delivery of the Bonds or the levy and collection of taxes to pay the Bonds; or questioning the proceedings or authority pursuant to which

the Bonds are issued and taxes levied; or questioning or relating to the validity of the Bonds, or contesting the existence of the County or the titles to their respective offices.

The absence of such litigation will be confirmed at the time of delivery of the Bonds.

CONTINUING DISCLOSURE

In accordance with the Securities and Exchange Commission Rule 15c2-12 (the “Rule”) and so long as the County of Leslie, Kentucky General Obligation Bonds, Series 2022, (the “Series 2022 Bonds” or “Bonds”) are outstanding, Leslie County, Kentucky (the “County” or “Obligated Person”) will agree pursuant to a Continuing Disclosure Agreement to be dated as of the date of issuance and delivery of the Bonds (the “Disclosure Agreement”), to cause the following information to be provided:

(i) to the Municipal Securities Rulemaking Board (“MSRB”), or any successor thereto for purposes of the Rule, through the continuing disclosure service portal provided by the MSRB’s Electronic Municipal Market Access (“EMMA”) system as described in 1934 Act Release No. 59062, or any similar system that is acceptable to the Securities and Exchange Commission, certain annual financial information and operating data, including audited financial statements generally consistent with the information contained in portions of Appendix A and Appendix B of the Official Statement (“Financial Data”). The annual financial information shall be provided within 210 days after the end of each fiscal year ending June 30; provided that the audited financial statements may not be available by such date, but will be made available immediately upon delivery thereof by the auditors for the Obligated Person; and;

(ii) to the MSRB, through EMMA, in a timely manner, not in excess of ten (10) business days after the occurrence of the event, notice of the occurrence of the following events with respect to the Bonds:

- (a) Principal and interest payment delinquencies;
- (b) Non-payment related defaults, if material;
- (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) Substitution of credit or liquidity providers, or their failure to perform;
- (f) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security;
- (g) Modifications to rights of security holders, if material;

(h) Bond calls, if material, and tender offers (except for mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event);

(i) Defeasances;

(j) Release, substitution or sale of property securing repayment of the securities, if material;

(k) Rating changes;

(l) Bankruptcy, insolvency, receivership or similar event of the Obligated Person (Note: For the purposes of this event, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person);

(m) The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(n) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(o) Incurrence of a financial obligation of the Issuer or Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or Obligated Person, any of which affect security holders, if material; and

(p) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the issuer or obligated person, any of which reflect financial difficulties.

(iii) in a timely manner, to the MSRB through EMMA, notice of a failure (of which the Obligated Person has knowledge) of the Obligated Person to provide the required annual financial information on or before the date specified in its written Disclosure Agreement.

In the event of a failure of the County to comply with any provision of the Disclosure Agreement, the Bond holder's rights to enforce the provisions of the Disclosure Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

For purposes of this transaction with respect to events as set forth in the Rule:

- (a) there are no debt service reserve funds applicable to the Bonds;
- (b) there are no liquidity providers applicable to the Bonds; and
- (c) there is no property securing the repayment of the Bonds.

The specific nature of the information to be contained in the annual financial information or notices of Material Events (as defined in the Disclosure Agreement) is set forth in Appendix "E" – "FORM OF CONTINUING DISCLOSURE AGREEMENT." Reference should be made to the Continuing Disclosure Agreement, Appendix "E," for more complete information regarding the terms, provisions, and covenants.

The County does not have any outstanding bonds for which disclosure is required.

Additionally, in the Ordinance, the County has adopted procedures to ensure the County's compliance with continuing disclosure undertakings (the "Disclosure Undertakings") in connection with the issuance of Certificates and the submission of certain operating data and disclosure of Material Events under the Rule.

The County intends to meet its continuing disclosure obligations with respect to the Annual Financial Information for all future periods, to the extent the County can control the preparation process and subject to required State approval of the County's Annual Financial Information. The Ordinance approving and authorizing the issuance of the Certificates provides, that in the event audited financial statements are not received on or before the 195th day following conclusion of a fiscal year, the Treasurer shall submit a notice for filing with EMMA.

FINANCIAL ADVISOR

RSA Advisors, LLC ("RSA"), Lexington, Kentucky has acted as Financial Advisor to the Issuer in connection with the issuance of the Bonds and will receive a fee, payable from bond proceeds, for their services as Financial Advisor, contingent upon the issuance and sale of the Bonds. In this capacity, RSA has compiled certain data relating to the Bonds that is contained in this Official Statement. RSA is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for the accuracy, completeness, or the fairness of the information contained in this Official Statement. RSA is an independent financial advisory firm and is not engaged in the business of underwriting, trading, or distributing securities.

BOND RATING

No Rating has been applied for.

OFFICIAL STATEMENT

This Official Statement speaks only as of its date, and the information contained herein is subject to change. This Official Statement and continuing disclosure documents of the County are intended to be made available through to the MSRB through the EMMA system. Copies of the basic documentation relating to the Bonds, including the authorizing Ordinance and the Bond Certificate forms, are available from the County. Additional information concerning this Official Statement, as well as copies of the basic documentation relating to the Bonds, is available from the Financial Advisor to the County: RSA Advisors, LLC, 147 E. Third Street Lexington, Kentucky 40508; telephone: (859) 977-6600; website: www.rsamuni.com.

MISCELLANEOUS

To the extent any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated to be such, such statements are made as such and not as representations of fact or certainty, and no representation is made that any of such statements will be realized. Information herein has been derived by the County from official and other sources and is believed by the County to be reliable, but such information other than that obtained from official records of the County has not been independently confirmed or verified by the County and its accuracy is not guaranteed. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the holders of the Bonds.

This Official Statement does not, as of its delivery date, contain any untrue statement of a material fact or omit to state a material fact which should be included herein for the purpose for which the Official Statement is to be used or which is necessary in order to make the statements contained herein, in the light of the circumstances under which they were made, not misleading in any material respect.

This Official Statement has been duly executed and delivered for and on behalf of the County by the County Judge/Executive.

LESLIE COUNTY, KENTUCKY

By: /s/ William R. Lewis
County Judge/Executive

APPENDIX A

**LESLIE COUNTY, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2022**

DEMOGRAPHIC AND ECONOMIC DATA

LESLIE COUNTY, KENTUCKY

Leslie County, situated in the Eastern Coal Field Region of Kentucky, covers a land area of 409 square miles. It is surrounded by Bell, Clay, Hardin and Perry Counties. In 2020, Leslie County had a population of 9,934.

Hyden, the county seat of Leslie County, is located in the southeastern part of Kentucky. Hyden is 189 miles southeast of Louisville, Kentucky; 128 miles southeast of Lexington, Kentucky; and 156 miles north of Knoxville, Tennessee. Hyden had a 2020 population of 335.

The Economic Framework

The total number of Leslie County residents employed in 2020 averaged 2,105. The top five occupations were office and administrative support - 349 (16.58%); executive, managers and administrators - 280 (13.3%); sales - 230 (10.93%); education, training/library - 152 (7.22%); and, health diagnosing and treating practitioners - 136 (6.46%).

Education

The Leslie County School System provides primary and secondary education to Hyden and Leslie County.

LABOR MARKET STATISTICS

The Leslie County Labor Market Area includes Leslie County and the adjoining Kentucky counties of Bell, Clay, Harlan, Knott, Laurel, and Perry.

POPULATION

<u>Area</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Leslie County	10,205	10,112	9,934
Hyden	344	344	335

Source: U.S. Department of Commerce, Bureau of the Census

POPULATION PROJECTIONS

<u>Area</u>	<u>2025</u>	<u>2030</u>	<u>2035</u>
Leslie County	9,505	8,831	8,158

Source: University of Louisville, Urban Studies Center, State Data Center.

Unemployment Statistics

Description	-----Year Ending December 31-----				
	2016	2017	2018	2019	2020
County of Leslie					
Civilian Labor Force	2,792	2,736	2,623	2,704	2,564
Employment	2,413	2,459	2,437	2,481	2,269
Unemployment	379	277	186	223	295
Unemployment Rate	13.60%	10.10%	7.10%	8.20%	11.40%
State of Kentucky:					
Civilian Labor Force	2,015,160	2,053,074	2,057,791	2,072,586	1,998,456
Employment	1,911,978	1,952,513	1,968,611	1,983,577	1,861,208
Unemployment	103,182	100,561	89,180	89,009	137,248
Unemployment Rate	5.10%	4.90%	4.30%	4.30%	5.90%
US Comparable Rate:					
Unemployment Rate	4.90%	4.40%	3.90%	3.70%	8.10%

**Not Seasonally Adjusted*

Source: The Kentucky Department for Employment Services

LOCAL GOVERNMENT

Structure

The City of Hyden is governed by a mayor and council members. The mayor is elected to a four-year term, while the council members each serve two-year terms. Leslie County is governed by a county judge/executive and commissioners. Each county official is elected to a four-year term.

Property Taxes

All property in Kentucky, except items exempted by the state constitution, is taxed by the state. Property which also may be taxed by local jurisdictions includes land and buildings, finished goods inventories, automobiles, trucks, office furniture and office equipment. Local taxing jurisdictions in Kentucky include counties, cities, and school districts. All property in Kentucky is assessed at 100 percent of fair cash value.

The table below lists the net assessed property valuation of the county as reported by the Department of Revenue, Frankfort, Kentucky.

Description	----- Tax Year -----				
	2016	2017	2018	2019	2020
Real Estate	\$201,869,685	\$202,889,976	\$203,702,589	\$203,853,907	\$204,277,684
Tangible Property	\$36,000,474	\$34,060,735	\$23,270,486	\$27,291,861	\$28,567,341
Motor Vehicle	\$68,207,231	\$68,367,787	\$68,702,035	\$69,439,027	\$68,871,597
Watercraft	\$2,619,656	\$2,586,746	\$2,592,759	\$2,472,181	\$2,680,094
Total	\$308,697,046	\$307,905,244	\$298,267,869	\$303,056,976	\$304,396,716

Tax Collection History

The table below lists the tax collection history of the County as reported by Leslie County.

	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Real Property Tax	348,391.36	297,048.12	338,939.82	322,753.58	334,190.32
Gas Tax	36,884.88	38,023.21	28,098.78	41,280.82	40,692.35
Oil Tax	40,572.87	196.89	0	0	0
Personal Property Tax	65,558.12	49,520.77	52,217.33	27,408.03	45,691.22
Motor Vehicle Tax	91,191.22	100,157.34	101,696.72	104,622.61	92,491.78
Motor Vehicle Tax Other Counties	8,381.86	9,244.06	8,571.94	9,819.47	4,231.03
Delinquent Property Tax	45,036.75	35,454.47	40,932.63	62,330.96	29,247.71
Delinquent Fire Tax	270.00	169.50	267.90	367.17	0
Unmined Coal Tax	189,843.12	68,477.26	25,146.96	36,565.99	16,523.81
Fire Tax	4,870.96	4808.23	4,624.42	4,784.06	4,889.39
Total Amount Collected:	\$831,001.14	\$613,099.85	\$628,904.53	\$609,932.69	\$567,957.61

Ten Largest Taxpayers

The following table lists the ten largest real property taxpayers of the County as reported by the Leslie County Property Valuation Administrator.

Rank	Taxpayer Name	Real Property Valuation
1	ROYAL SKIES LLC, A3M FAM, LLC	4,702,5000
2	HYDEN CITIZENS BANK, INC	2,130,000
3	HYDEN NURSING HOME REALTY, LLC	1,600,000
4	HYDEN PROPERTIES, INC	1,219,000
5	SPIRIT REALTY LP	1,014,472
6	HUDD DAVID -ETAL-	995,000
7	RFEC III INVESTMENTS, LLC	950,524
8	BPM LUMBER LLC	899,320
9	KEMPER HAROLD W SR & EDNA	675,000
10	ATAYA LLC	660,837

EDUCATION

Public Schools

Leslie County

Total Enrollment (2019-20)	1,598
Pupil-Teacher Ratio (2019-20)	17-1

Vocational Training

Vocational training is available at both the state vocational-technical schools and the area vocational education centers. The state vocational-technical schools are post-secondary institutions. The area vocational education centers are designed to supplement the curriculum of high school students. Both the state vocational-technical schools and the area vocational education centers offer evening courses to enable working adults to upgrade current job skills.

Arrangements can be made to provide training in the specific production skills required by an industrial plant. Instruction may be conducted either in the vocational school or in the industrial plant, depending upon the desired arrangement and the availability of special equipment.

Bluegrass State Skills Corporation

The Bluegrass State Skills Corporation, an independent public corporation created and funded by the Kentucky General Assembly, provides programs of skills training to meet the needs of business and industry from entry level to advanced training, and from upgrading present employees to retraining experienced workers.

The Bluegrass State Skills Corporation is the primary source for skills training assistance for a new or existing company. The Corporation works in partnership with other employment and job training resources and programs, as well as Kentucky's economic development activities, to package a program customized to meet the specific needs of a company.

<u>Vocational School</u>	<u>Location</u>	<u>Cumulative Enrollment 2019-2020</u>
Leslie County ATC	Hyden, KY	335
Clay County ATC	Manchester, KY	357
Knott County ATC	Hindman, KY	328
Breathitt County ATC	Jackson, KY	508
Letcher County ATC	Whitesburg, KY	529
Bell County ATC	Pineville, KY	679
Lee County ATC	Beattyville, KY	298
Knox County ATC	Barbourville, KY	449
Jackson County ATC	McKee, KY	277
Corbin ATC	Corbin, KY	441
Floyd County ATC (GARTH)	Martin, KY	532
Morgan County ATC	West Liberty, KY	479
Millard ATC	Millard, KY	297
Rockcastle County ATC	Mt. Vernon, KY	431

Colleges and Universities

<u>Name</u>	<u>Location</u>	<u>Enrollment (Fall 2020)</u>
Hazard Community College	Hazard, KY	3,246
Southeast Community & Tech College	Cumberland, KY	3,503
Alice Lloyd College	Pippa Passes, KY	574
Union College	Barbourville, KY	N/A
Big Sandy Community & Tech College	Prestonsburg, KY	2,721
University of Pikeville	Pikeville, KY	2,262
University of the Cumberlands	Williamsburg, KY	16,966
Berea College	Berea, KY	1,688

EXISTING INDUSTRY

<u>Firm</u>	<u>Product</u>	<u>Total Employed</u>
Hyden		
4M Lumber LLC	Lumber	1
BPM Lumber LLC	Hardwood lumber sawmill	4

Source: Kentucky Directory of Manufacturers (8/02/2019).

PROPERTY TAX RATES

The following table lists the tax rates for the last five (5) available years as reported by the Department of Revenue, Frankfort, Kentucky.

	-----Tax Year 2016-----			-----Tax Year 2017-----			-----Tax Year 2018-----			-----Tax Year 2019-----			-----Tax Year 2020-----		
	Real Estate	Tangible	Motor Vehicle	Real Estate	Tangible	Motor Vehicle	Real Estate	Tangible	Motor Vehicle	Real Estate	Tangible	Motor Vehicle	Real Estate	Tangible	Motor Vehicle
County-															
Extension Services	0.0980	0.0980	0.0430	0.0980	0.0980	0.0430	0.1064	0.1064	0.0430	0.1115	0.1115	0.0430	0.1131	0.1134	0.0430
General Fiscal Court	0.1870	0.1620	0.1620	0.1870	0.1620	0.1620	0.1870	0.1620	0.1620	0.1960	0.1620	0.1620	0.1990	0.1620	0.1620
Health	0.0400	0.0400	0.0400	0.0500	0.0500	0.0400	0.0500	0.0500	0.0500	0.0600	0.0600	0.0500	0.0600	0.0600	0.0600
Library	0.1250	0.1654	0.0470	0.1670	0.1670	0.0470	0.1770	0.1770	0.0470	0.1770	0.1770	0.0470	0.1770	0.1770	0.0470
Soil Conservation	0.0190	0.0000	0.0000	0.0190	0.0000	0.0000	0.0200	0.0000	0.0000	0.0240	0.0000	0.0000	0.0250	0.0000	0.0000
Totals:	0.4690	0.4654	0.2920	0.5210	0.4770	0.2920	0.5404	0.4954	0.3020	0.5685	0.5105	0.3020	0.5741	0.5124	0.3120
Schools-															
Leslie County	0.6610	0.6610	0.4740	0.6610	0.6610	0.4730	0.6610	0.6610	0.4740	0.6970	0.6970	0.4740	0.7080	0.7080	0.4740
City-															
Hyden	0.0760	0.0000	0.0000	0.0760	0.0000	0.0000	0.0760	0.0000	0.0000	0.0760	0.0000	0.0000	0.0760	0.0000	0.0000

APPENDIX B

**LESLIE COUNTY, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2022**

FY 2019 AUDITED FINANCIAL STATEMENT

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

**For The Year Ended
June 30, 2019**



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

The Honorable Andy Beshear, Governor

Holly M. Johnson, Secretary Finance and Administration Cabinet

The Honorable William R. Lewis, Leslie County Judge/Executive

The Honorable Jimmy Sizemore, Former Leslie County Judge/Executive

Members of the Leslie County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Leslie County Fiscal Court, for the year ended June 30, 2019, and the related notes to the financial statement which collectively comprise the Leslie County Fiscal Court's financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this 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.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Audit Guide for Fiscal Court Audits* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



To the People of Kentucky

The Honorable Andy Beshear, Governor

Holly M. Johnson, Secretary Finance and Administration Cabinet

The Honorable William R. Lewis, Leslie County Judge/Executive

The Honorable Jimmy Sizemore, Former Leslie County Judge/Executive

Members of the Leslie 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 Leslie 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.

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 paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Leslie County Fiscal Court as of June 30, 2019, or changes in financial position or cash flows thereof for the year then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

The regulatory basis of accounting requires the jail commissary fund receipts and disbursements to be included on the Leslie County Fiscal Court's Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis. The Leslie County Jailer did not maintain adequate accounting records or account for properly the receipts and disbursements of the jail commissary fund. As a result, auditors were unable to obtain sufficient appropriate audit evidence to conclude that the financial information provided for the jail commissary receipts, disbursements, and fund balance were free from material misstatement or reasonably accurate.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matters discussed in the "Basis for Qualified Opinion on Regulatory Basis of Accounting" paragraph, the financial statement referred to above presents fairly, in all material respects, the fund balances of Leslie County, Kentucky as of June 30, 2019, and its cash receipts and disbursements, for the year then ended, in accordance with the accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Leslie County Fiscal Court. The Budgetary Comparison Schedules (supplementary information) and Schedule of Capital Assets (other information) are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

To the People of Kentucky

The Honorable Andy Beshear, Governor

Holly M. Johnson, Secretary Finance and Administration Cabinet

The Honorable William R. Lewis, Leslie County Judge/Executive

The Honorable Jimmy Sizemore, Former Leslie County Judge/Executive

Members of the Leslie County Fiscal Court

Other Matters (Continued)

Supplementary and Other Information (Continued)

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

The Schedule of Capital Assets has not been subjected to the auditing procedures applied in the audit of the basic financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2021, on our consideration of the Leslie 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 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 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 Leslie 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 Responses included herein, which discusses the following report findings:

- 2019-001 The Leslie County Jailer Did Not Maintain Adequate Accounting Records Resulting In Qualified Opinion On The Financial Statements
- 2019-002 The Leslie County Jailer Did Not Comply With Bidding Requirements Set Forth In KRS 424.260
- 2019-003 The Leslie County Jail Commissary Lacks Adequate Segregation Of Duties Over Receipts, Disbursements, And Bank Reconciliations
- 2019-004 The Leslie County Fiscal Court Lacks Adequate Segregation Of Duties Over Receipts, Disbursements, And Reconciliations
- 2019-005 The Leslie County Fiscal Court Did Not Follow Proper Bid Laws and Regulations
- 2019-006 The Leslie County Fiscal Court Did Not Have Strong Internal Controls Over Disbursements
- 2019-007 The Leslie County Fiscal Court Lacks Adequate Segregation Of Duties Over Payroll

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

September 22, 2021

LESLIE COUNTY OFFICIALS

For The Year Ended June 30, 2019

Fiscal Court Members:

William R. Lewis	County Judge/Executive
James Sizemore	Former County Judge/Executive
Bonnell Bentley	Magistrate
Russel D. Brock	Magistrate
Robert Napier	Magistrate
John Newell	Magistrate
Kenneth F. Smith	Former Magistrate
Brown Sizemore	Former Magistrate

Other Elected Officials:

Leroy Lewis	County Attorney
Danny Clark	Jailer
Onzie Sizemore	County Clerk
James Lewis	Former County Clerk
Carmolita Morgan-Pace	Circuit Court Clerk
Billy M. Collett	Sheriff
Delano Huff	Former Sheriff
Jeffery Boggs	Property Valuation Administrator
Jimmy Wooten	Former Property Valuation Administrator
Greg Walker	Coroner

Appointed Personnel:

Jennifer Bowling	County Treasurer
Mack Muncy	Former County Treasurer
Katherine Woods	Finance Officer
Nancy Roberts	Former Finance Officer
Katherine Woods	Occupational Tax Administrator
Serena Asher	Former Occupational Tax Administrator

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

For The Year Ended June 30, 2019

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

For The Year Ended June 30, 2019

	<u>Budgeted Funds</u>		
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
RECEIPTS			
Taxes	\$ 731,665	\$	\$
In Lieu Tax Payments	108,820	80,959	
Excess Fees	51,716		
Licenses and Permits	102,058		
Intergovernmental	136,951	1,862,926	3,186,120
Charges for Services			32,164
Miscellaneous	122,460		97,011
Interest	255	405	273
Total Receipts	<u>1,253,925</u>	<u>1,944,290</u>	<u>3,315,568</u>
DISBURSEMENTS			
General Government	691,944		
Protection to Persons and Property	3,999		2,467,413
General Health and Sanitation	10,921	489,733	
Social Services			
Recreation and Culture	11,079		
Roads		2,044,697	
Debt Service			418,310
Administration	573,455	259,597	606,676
Total Disbursements	<u>1,291,398</u>	<u>2,794,027</u>	<u>3,492,399</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(37,473)</u>	<u>(849,737)</u>	<u>(176,831)</u>
Other Adjustments to Cash (Uses)			
Payroll Revolving Account	9,832		
Transfers From Other Funds	778,000	1,380,325	503,248
Transfers To Other Funds			
Total Other Adjustments to Cash (Uses)	<u>787,832</u>	<u>1,380,325</u>	<u>503,248</u>
Net Change in Fund Balance	750,359	530,588	326,417
Fund Balance - Beginning (Restated)	<u>330,294</u>	<u>581,317</u>	<u>357,933</u>
Fund Balance - Ending	<u>\$ 1,080,653</u>	<u>\$ 1,111,905</u>	<u>\$ 684,350</u>
Composition of Fund Balance			
Bank Balance	\$ 1,077,444	\$ 1,119,905	\$ 718,184
Payroll Revolving Account Reconciled Balance	9,832		
Less: Outstanding Checks	<u>(6,623)</u>	<u>(8,000)</u>	<u>(33,834)</u>
Fund Balance - Ending	<u>\$ 1,080,653</u>	<u>\$ 1,111,905</u>	<u>\$ 684,350</u>

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

LESLIE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2019
(Continued)

Budgeted Funds						
Local Government Economic Assistance Fund	Senior Citizens Fund	Flood Relief Fund	Local Government Economic Development Fund	E911 Fund	Debt Service Fund	Total Funds
\$	\$	\$	\$	\$ 220,219	\$ 619,704	\$ 1,571,588
						189,779
						51,716
						102,058
487,561	83,937	565,100	92,677	100,000	110,167	6,625,439
						32,164
						219,471
199		71	285	228	170	1,886
<u>487,760</u>	<u>83,937</u>	<u>565,171</u>	<u>92,962</u>	<u>320,447</u>	<u>730,041</u>	<u>8,794,101</u>
50,362						742,306
20,218			10,000	399,147		2,900,777
96,433			208,276			805,363
180,762	72,307					253,069
26,106					26,745	63,930
15,728					88,848	2,149,273
						418,310
159,403		5		136,759	560,500	2,296,395
<u>549,012</u>	<u>72,307</u>	<u>5</u>	<u>218,276</u>	<u>535,906</u>	<u>676,093</u>	<u>9,629,423</u>
<u>(61,252)</u>	<u>11,630</u>	<u>565,166</u>	<u>(125,314)</u>	<u>(215,459)</u>	<u>53,948</u>	<u>(835,322)</u>
						9,832
820						2,662,393
<u>(87,204)</u>		<u>(1,283,228)</u>	<u>(788,713)</u>		<u>(503,248)</u>	<u>(2,662,393)</u>
<u>(86,384)</u>		<u>(1,283,228)</u>	<u>(788,713)</u>		<u>(503,248)</u>	<u>9,832</u>
(147,636)	11,630	(718,062)	(914,027)	(215,459)	(449,300)	(825,490)
462,925	60,425	720,563	944,269	591,032	812,543	4,861,301
<u>\$ 315,289</u>	<u>\$ 72,055</u>	<u>\$ 2,501</u>	<u>\$ 30,242</u>	<u>\$ 375,573</u>	<u>\$ 363,243</u>	<u>\$ 4,035,811</u>
\$ 323,480	\$ 72,055	\$ 2,501	\$ 30,242	\$ 377,160	\$ 363,243	\$ 4,084,214
						9,832
<u>(8,191)</u>				<u>(1,587)</u>		<u>(58,235)</u>
<u>\$ 315,289</u>	<u>\$ 72,055</u>	<u>\$ 2,501</u>	<u>\$ 30,242</u>	<u>\$ 375,573</u>	<u>\$ 363,243</u>	<u>\$ 4,035,811</u>

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

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENT**

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**LESLIE COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2019

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Leslie County includes all budgeted and unbudgeted funds under the control of the Leslie 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 as the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

B. Basis of Accounting

The financial statement is presented on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the 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.

LESLIE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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

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

Senior Citizens Fund - The primary purpose of this fund is to operate the Senior Citizens Center. The primary source of receipts is from USDA federal grants received from the Kentucky River Area Development District (KRADD).

Flood Relief Fund - The purpose of this fund is to account for flood repair reimbursements funded by the Federal Emergency Management Agency (FEMA).

Local Government Economic Development Fund - The purpose of this fund is to account for projects funded by Local Government Economic Development funds. The primary source of receipts is grants received from the Department for Local Government.

E911 Fund - The purpose of this fund is to operate the E911 Communication Center.

Debt Service Fund - The purpose of this fund is to separately account for receipts used to satisfy long-term debt requirements for jail improvement projects and other disbursements.

D. Budgetary Information

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

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

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

LESLIE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Leslie County Elected Officials

Kentucky law provides for election of the officials listed below from the geographic area constituting Leslie 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 Leslie 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 depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the 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.

LESLIE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(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 KRS 66.480(1)(d) and KRS 41.240. As of June 30, 2019, 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 2019.

	LGEA Fund	Flood Relief Fund	LGED Fund	Debt Service Fund	Total Transfers In
General Fund	\$	\$	\$ 778,000	\$	\$ 778,000
Road Fund	87,204	1,283,228	9,893		1,380,325
Jail Fund				503,248	503,248
LGEA Fund			820		820
Total Transfers Out	<u>\$ 87,204</u>	<u>\$ 1,283,228</u>	<u>\$ 788,713</u>	<u>\$ 503,248</u>	<u>\$ 2,662,393</u>

Reason for transfers:

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

Note 4. Long-term Debt

A. Direct Borrowings and Direct Placements

1. General Obligation Refunding Lease, Series 2014B

On August 28, 2014, the Leslie County Fiscal Court entered into a General Obligation Refunding Lease Agreement, Series 2014B, with Kentucky Association of Counties Finance Corporation to advance refund the General Obligation Improvement Bonds, Series 2006 and the KADD Financing Trust. The total principal was \$1,540,000 and requires annual principal payments due on December 20 beginning December 20, 2014 for a period of twenty years. Interest payments are due semi-annually at rates ranging from 3.0% and 3.50%, due on June 20 and December 20 beginning on December 20, 2012, for a period of twenty years. The lease contains provisions that in an event of default occurs and continues beyond thirty days (30) days following notice of default given in writing to such defaulting party by any other party hereto or by a beneficiary hereof as identified in Section 4 (G), the non-defaulting party to any such beneficiary may (and, at the request of the Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Corporation Bonds, the non-defaulting party available in any proceeding to enforce this agreement shall be an action of mandamus, for specific performance or similar remedy to compel performance. Future principal and interest requirements are:

LESLIE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 4. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

1. General Obligation Refunding Lease, Series 2014B (Continued)

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 55,000	\$ 42,100
2021	60,000	40,237
2022	60,000	38,288
2023	65,000	36,262
2024	65,000	31,413
2025-2029	375,000	136,369
2030-2034	455,000	65,437
2035	100,000	3,000
Totals	<u>\$ 1,235,000</u>	<u>\$ 393,106</u>

2. General Obligation Refunding Lease, Series 2014C

On August 28, 2014, the Leslie County Fiscal Court entered into a General Obligation Refunding Lease Agreement, Series 2014C, with Kentucky Association of Counties Finance Corporation to advance refund the General Obligation Improvement Bonds, Series 2005. The total principal was \$4,785,000 and requires annual principal payments due on December 20 beginning December 20, 2014 for a period of twenty years. Interest payments are due semi-annually at rates ranging from 3% to 3.5% due on June 20 and December 20 beginning on December 20, 2014 for a period of twenty years. The lease contains provisions that in an event of default the following (a) By appropriate court actions, enforce the pledge set forth in Section 2 of the ordinance and Section 11 of this Lease so that the remaining lease term there is levied on all the taxable property in the Lessee, in addition to all other taxes, without limitation as the rate or amount, a direct tax annually in the amount sufficient to pay the lease rental payments when and as due (b) take legal title to, and sell or re-lease the project or any portion thereof (c) take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the project under the lease (including, without limitation, the right to possession of the project and the right to sell or re-lease or otherwise dispose of the project in accordance with applicable law); and/or take whatever action at law or in equity may appear necessary or desirable to enforce performance by the Lessee of the applicable covenants and agreements of the Lessee under this Lease (subject, however, to the limitations thereon contained in this Lease) an to recover damages for the breach thereof. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 185,000	\$ 128,502
2021	195,000	122,433
2022	200,000	116,117
2023	205,000	109,643
2024	215,000	96,313
2025-2029	1,155,000	409,647
2030-2034	1,380,000	193,189
2035	310,000	8,253
Totals	<u>\$ 3,845,000</u>	<u>\$ 1,184,097</u>

LESLIE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 4. Long-term Debt (Continued)

B. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 5,320,000	\$	\$ 240,000	\$ 5,080,000	\$ 240,000
Total Long-term Debt	<u>\$ 5,320,000</u>	<u>\$ 0</u>	<u>\$ 240,000</u>	<u>\$ 5,080,000</u>	<u>\$ 240,000</u>

Note 5. Employee Retirement System

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). 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.

The county's contribution for FY 2017 was \$547,506, FY 2018 was \$590,412, and FY 2019 was \$600,337.

Nonhazardous

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 6 percent of their salary to be allocated as follows: 5 percent will go to the member's account and 1 percent will go to the KRS insurance fund.

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

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

The county's contribution rate for nonhazardous employees was 21.48 percent.

LESLIE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 5. 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 ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Benefits are covered under KRS 161.714 with exception of COLA and retiree health benefits after July 2003.

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

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

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

Tier 2 member benefits are covered by KRS 161.714 with exception of COLA and retiree health benefits after July 2003. Tier 3 members are not covered by the same provisions.

C. Cost of Living Adjustments - Tier 1

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

LESLIE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 5. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

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

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

E. Death Benefit

If a retired member is receiving a monthly benefit based on at least 48 months of service credit, KRS 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.

KRS Annual Financial Report and Proportionate Share Audit Report

KRS 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 Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

KRS 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 6. Deferred Compensation

On January 27, 2016, the Leslie 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.

LESLIE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 7. Flexible Spending Account

The Leslie County Fiscal Court, established a flexible spending account in 2010 to provide employees an additional health benefit. The county has contracted with a third-party administrator to administer the plan. The plan provides \$1,500 each year to go toward employees' deductible. Employees may also contribute additional pre-tax funds through payroll deduction. The balance of the plan is \$696.

Note 8. Insurance

For the fiscal year ended June 30, 2019, the Leslie 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. Payroll Revolving Account

The reconciled balance of the payroll revolving account as of June 30, 2019, in the amount of \$9,832, was added to the general fund cash balance for financial reporting purposes.

Note 10. Prior Period Adjustment

The general fund balance beginning balance was restated due to prior year voided checks.

Beginning Balance	\$ 329,744
Prior Year Voided Checks	<u>550</u>
Beginning Balance Restated	<u><u>\$ 330,294</u></u>

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LESLIE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2019

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LESLIE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2019

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 707,664	\$ 707,664	\$ 731,665	\$ 24,001
In Lieu Tax Payments	109,675	109,675	108,820	(855)
Excess Fees	36,584	36,584	51,716	15,132
Licenses and Permits	86,345	86,345	102,058	15,713
Intergovernmental	142,934	142,934	136,951	(5,983)
Miscellaneous	63,626	63,626	122,460	58,834
Interest	200	200	255	55
Total Receipts	<u>1,147,028</u>	<u>1,147,028</u>	<u>1,253,925</u>	<u>106,897</u>
DISBURSEMENTS				
General Government	850,202	914,843	691,944	222,899
Protection to Persons and Property	4,000	4,000	3,999	1
General Health and Sanitation	7,500	11,000	10,921	79
Recreation and Culture	25,000	25,000	11,079	13,921
Administration	1,210,326	999,908	573,455	426,453
Total Disbursements	<u>2,097,028</u>	<u>1,954,751</u>	<u>1,291,398</u>	<u>663,353</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(950,000)</u>	<u>(807,723)</u>	<u>(37,473)</u>	<u>770,250</u>
Other Adjustments to Cash (Uses)				
Payroll Revolving Account			9,832	9,832
Transfers From Other Funds	<u>775,000</u>	<u>775,000</u>	<u>778,000</u>	<u>3,000</u>
Total Other Adjustments to Cash (Uses)	<u>775,000</u>	<u>775,000</u>	<u>787,832</u>	<u>12,832</u>
Net Change in Fund Balance	(175,000)	(32,723)	750,359	783,082
Fund Balance - Beginning (Restated)	<u>175,000</u>	<u>175,000</u>	<u>330,294</u>	<u>155,294</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 142,277</u>	<u>\$ 1,080,653</u>	<u>\$ 938,376</u>

LESLIE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
In Lieu Tax Payments	\$ 109,267	\$ 109,267	\$ 80,959	\$ (28,308)
Intergovernmental	1,319,325	1,319,325	1,862,926	543,601
Interest	475	475	405	(70)
Total Receipts	<u>1,429,067</u>	<u>1,429,067</u>	<u>1,944,290</u>	<u>515,223</u>
DISBURSEMENTS				
General Health and Sanitation		489,733	489,733	
Roads	1,770,800	2,329,664	2,044,697	284,967
Administration	357,967	342,264	259,597	82,667
Total Disbursements	<u>2,128,767</u>	<u>3,161,661</u>	<u>2,794,027</u>	<u>367,634</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(699,700)</u>	<u>(1,732,594)</u>	<u>(849,737)</u>	<u>882,857</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>94,700</u>	<u>94,700</u>	<u>1,380,325</u>	<u>1,285,625</u>
Total Other Adjustments to Cash (Uses)	<u>94,700</u>	<u>94,700</u>	<u>1,380,325</u>	<u>1,285,625</u>
Net Change in Fund Balance	(605,000)	(1,637,894)	530,588	2,168,482
Fund Balance - Beginning	<u>605,000</u>	<u>605,000</u>	<u>581,317</u>	<u>(23,683)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (1,032,894)</u>	<u>\$ 1,111,905</u>	<u>\$ 2,144,799</u>

LESLIE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 2,900,772	\$ 2,900,772	\$ 3,186,120	\$ 285,348
Charges for Services	18,128	18,128	32,164	14,036
Miscellaneous	98,310	98,310	97,011	(1,299)
Interest	190	190	273	83
Total Receipts	<u>3,017,400</u>	<u>3,017,400</u>	<u>3,315,568</u>	<u>298,168</u>
DISBURSEMENTS				
Protection to Persons and Property	2,416,350	2,676,178	2,467,413	208,765
Debt Service	418,310	418,310	418,310	
Administration	926,050	666,222	606,676	59,546
Total Disbursements	<u>3,760,710</u>	<u>3,760,710</u>	<u>3,492,399</u>	<u>268,311</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(743,310)</u>	<u>(743,310)</u>	<u>(176,831)</u>	<u>566,479</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	418,310	418,310	503,248	84,938
Total Other Adjustments to Cash (Uses)	<u>418,310</u>	<u>418,310</u>	<u>503,248</u>	<u>84,938</u>
Net Change in Fund Balance	(325,000)	(325,000)	326,417	651,417
Fund Balance - Beginning	<u>325,000</u>	<u>325,000</u>	<u>357,933</u>	<u>32,933</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 684,350</u>	<u>\$ 684,350</u>

LESLIE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

	LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 553,487	\$ 553,487	\$ 487,561	\$ (65,926)
Interest	250	250	199	(51)
Total Receipts	<u>553,737</u>	<u>553,737</u>	<u>487,760</u>	<u>(65,977)</u>
DISBURSEMENTS				
General Government	70,077	70,077	50,362	19,715
Protection to Persons and Property	21,711	21,711	20,218	1,493
General Health and Sanitation	120,428	120,823	96,433	24,390
Social Services	227,420	232,462	180,762	51,700
Recreation and Culture	35,000	35,000	26,106	8,894
Roads	25,000	25,000	15,728	9,272
Administration	409,401	283,888	159,403	124,485
Total Disbursements	<u>909,037</u>	<u>788,961</u>	<u>549,012</u>	<u>239,949</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(355,300)</u>	<u>(235,224)</u>	<u>(61,252)</u>	<u>173,972</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			820	820
Transfers To Other Funds	(94,700)	(94,700)	(87,204)	7,496
Total Other Adjustments to Cash (Uses)	<u>(94,700)</u>	<u>(94,700)</u>	<u>(86,384)</u>	<u>8,316</u>
Net Change in Fund Balance	(450,000)	(329,924)	(147,636)	182,288
Fund Balance - Beginning	<u>450,000</u>	<u>450,000</u>	<u>462,925</u>	<u>12,925</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 120,076</u>	<u>\$ 315,289</u>	<u>\$ 195,213</u>

LESLIE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

	SENIOR CITIZENS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 86,304	\$ 86,304	\$ 83,937	\$ (2,367)
Total Receipts	<u>86,304</u>	<u>86,304</u>	<u>83,937</u>	<u>(2,367)</u>
DISBURSEMENTS				
Social Services	93,482	93,482	72,307	21,175
Administration	47,822	47,822		47,822
Total Disbursements	<u>141,304</u>	<u>141,304</u>	<u>72,307</u>	<u>68,997</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(55,000)</u>	<u>(55,000)</u>	11,630	66,630
Net Change in Fund Balance	(55,000)	(55,000)	11,630	66,630
Fund Balance - Beginning	<u>55,000</u>	<u>55,000</u>	<u>60,425</u>	<u>5,425</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 72,055</u>	<u>\$ 72,055</u>

LESLIE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

	FLOOD RELIEF FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$	\$	\$ 565,100	\$ 565,100
Interest	400	400	71	(329)
Total Receipts	<u>400</u>	<u>400</u>	<u>565,171</u>	<u>564,771</u>
DISBURSEMENTS				
Administration	720,925	5	5	
Total Disbursements	<u>720,925</u>	<u>5</u>	<u>5</u>	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(720,525)</u>	395	<u>565,166</u>	<u>564,771</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(1,283,228)	(1,283,228)
Total Other Adjustments to Cash (Uses)			<u>(1,283,228)</u>	<u>(1,283,228)</u>
Net Change in Fund Balance	(720,525)	395	(718,062)	(718,457)
Fund Balance - Beginning	<u>720,525</u>	<u>720,525</u>	<u>720,563</u>	<u>38</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 720,920</u>	<u>\$ 2,501</u>	<u>\$ (718,419)</u>

LESLIE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

LOCAL GOVERNMENT ECONOMIC DEVELOPMENT FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$	\$	\$ 92,677	\$ 92,677
Interest	100	100	285	185
Total Receipts	100	100	92,962	92,862
DISBURSEMENTS				
Protection to Persons and Property		10,000	10,000	
General Health and Sanitation	171,560	235,061	208,276	26,785
Administration	194	194		194
Total Disbursements	171,754	245,255	218,276	26,979
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(171,654)	(245,155)	(125,314)	119,841
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(775,000)	(775,000)	(788,713)	(13,713)
Total Other Adjustments to Cash (Uses)	(775,000)	(775,000)	(788,713)	(13,713)
Net Change in Fund Balance	(946,654)	(1,020,155)	(914,027)	106,128
Fund Balance - Beginning	946,654	946,654	944,269	(2,385)
Fund Balance - Ending	\$ 0	\$ (73,501)	\$ 30,242	\$ 103,743

LESLIE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

	E911 FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 236,197	\$ 236,197	\$ 220,219	\$ (15,978)
Intergovernmental			100,000	100,000
Interest	250	250	228	(22)
Total Receipts	<u>236,447</u>	<u>236,447</u>	<u>320,447</u>	<u>84,000</u>
DISBURSEMENTS				
Protection to Persons and Property Administration	358,986	470,651	399,147	71,504
	497,461	385,796	136,759	249,037
Total Disbursements	<u>856,447</u>	<u>856,447</u>	<u>535,906</u>	<u>320,541</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(620,000)</u>	<u>(620,000)</u>	<u>(215,459)</u>	<u>404,541</u>
Net Change in Fund Balance	(620,000)	(620,000)	(215,459)	404,541
Fund Balance - Beginning	<u>620,000</u>	<u>620,000</u>	<u>591,032</u>	<u>(28,968)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 375,573</u>	<u>\$ 375,573</u>

LESLIE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

	DEBT SERVICE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 589,000	\$ 589,000	\$ 619,704	\$ 30,704
Intergovernmental			110,167	110,167
Interest	160	160	170	10
Total Receipts	<u>589,160</u>	<u>589,160</u>	<u>730,041</u>	<u>140,881</u>
DISBURSEMENTS				
Recreation and Culture	25,000	26,746	26,745	1
Roads	98,000	98,000	88,848	9,152
Administration	710,850	585,982	560,500	25,482
Total Disbursements	<u>833,850</u>	<u>710,728</u>	<u>676,093</u>	<u>34,635</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(244,690)</u>	<u>(121,568)</u>	<u>53,948</u>	<u>175,516</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(418,310)</u>	<u>(418,310)</u>	<u>(503,248)</u>	<u>(84,938)</u>
Total Other Adjustments to Cash (Uses)	<u>(418,310)</u>	<u>(418,310)</u>	<u>(503,248)</u>	<u>(84,938)</u>
Net Change in Fund Balance	(663,000)	(539,878)	(449,300)	90,578
Fund Balance - Beginning	<u>663,000</u>	<u>663,000</u>	<u>812,543</u>	<u>149,543</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 123,122</u>	<u>\$ 363,243</u>	<u>\$ 240,121</u>

LESLIE COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2019

Note 1. Budgetary Information

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

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

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

**LESLIE COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis**

For The Year Ended June 30, 2019

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LESLIE COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2019

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 366,800	\$	\$	\$ 366,800
Buildings	13,654,599			13,654,599
Vehicles and Equipment	1,338,840	14,025		1,352,865
Other Equipment	2,321,551			2,321,551
Infrastructure	11,820,815	1,220,446		13,041,261
Total Capital Assets	<u>\$ 29,502,605</u>	<u>\$ 1,234,471</u>	<u>\$ 0</u>	<u>\$ 30,737,076</u>

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

June 30, 2019

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	\$ 50,000	10-20
Land	All	
Buildings	All	25-40
Other Equipment	5,000	5-20
Vehicles and Equipment	5,000	5-10
Infrastructure	50,000	5-50

**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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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable William R. Lewis, Leslie County Judge/Executive
The Honorable Jimmy Sizemore, Former Leslie County Judge/Executive
Members of the Leslie County Fiscal Court

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

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 Leslie County Fiscal Court for the fiscal year ended June 30, 2019, and the related notes to the financial statement which collectively comprise the Leslie County Fiscal Court's financial statement and have issued our report thereon dated September 22, 2021. In that report, our opinion is modified due to the accounting records of the jail commissary fund not being adequate or accounted for properly.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Leslie County Fiscal Court's internal control over financial reporting (internal control) to determine the 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 Leslie County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Leslie County Fiscal Court's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and another deficiency that we consider to be a significant deficiency.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2019-001, 2019-002, 2019-003, 2019-004, 2019-005, and 2019-007 to be material weaknesses.



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)

Internal Control Over Financial Reporting (Continued)

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. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2019-006 to be a significant deficiency.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Leslie 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 determination of financial statement amounts. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2019-001, 2019-002, and 2019-005.

Views of Responsible Officials and Planned Corrective Action

Leslie County's views and planned corrective action for the findings identified in our audit are included in the accompanying Schedule of Findings and Responses. The county's responses were not subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we express no opinion on them.

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,



Mike Harmon
Auditor of Public Accounts

September 22, 2021

**LESLIE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2019

FINANCIAL STATEMENT FINDINGS:

2019-001 The Leslie County Jailer Did Not Maintain Adequate Accounting Records Resulting In A Qualified Opinion On The Financial Statement

The Leslie County Jail Commissary operates two bank accounts for the operation of the jail commissary, one for inmates and another for profits. The inmate account is to be used for the holding of inmate funds and the other is to be used for the proceeds from the sale of commissary items and purchases of the commissary account for other lawful purposes.

The Leslie County Jailer is required to present a financial statement for commissary activity to the fiscal court at the end of each fiscal year. The jailer did not present a financial statement for fiscal year 2019 as required by the Department for Local Government's *Budget Preparation and State Local Finance Officer Policy Manual*. The jailer later provided a financial statement to auditors, but due to inconsistencies in the information, we were unable to rely on what was provided. Queries in the accounting software for financial information for the period under audit would yield different results at different times requested. Because of the unreliability of financial statement amounts without adequate support to explain why amounts would change, auditors were unable to overcome the audit risk with procedures.

In addition, the jailer provided auditors a financial statement for the inmate account, but no underlying accounting records could be provided to support financial statement amounts.

The jailer did not have sufficient internal controls over the financial reporting processes that would ensure the financial statements amounts are accurate and consistent. According to the jailer, the financial statements were prepared by a vendor that provides accounting software used for accounting of activity of the inmate account. In addition, the jailer was unable to provide an explanation for the inconsistencies in the financial statements for the commissary fund.

As a result, auditors were not able to obtain sufficient appropriate audit evidence to conclude that the financial statement for the jail commissary and the inmate account was free from material misstatement. Because a financial statement was not presented to the fiscal court, the jailer was not in compliance with reporting requirements established by the Department for Local Government.

Strong internal controls require that the jailer maintain accurate accounting records for any fund held by him as jailer. KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual* which are to be used by jailers for jail commissary funds maintained pursuant to KRS 441.135. KRS 441.135(2) states, in part, "[t]he jailer shall keep books of accounts of all receipts and disbursements from the canteen and shall annually report to the county treasurer on the canteen account."

We recommend the Leslie County Jailer implement strong oversight, internal controls, supervision, and review to ensure receipts are batched and deposited daily. The jailer should comply with the applicable statutes by maintaining required records. The jailer should submit an accurate annual commissary report to the county treasurer at year-end that includes all receipts and disbursements and reconciles to the receipts and disbursements ledgers. In addition, the jailer should implement procedures to ensure that all activity of the inmate account is supported by accounting records that are appropriate and accurate.

LESLIE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2019
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-001 The Leslie County Jailer Did Not Maintain Adequate Accounting Records Resulting In A Qualified Opinion On The Financial Statement (Continued)

Views of Responsible Official and Planned Corrective Action:

Jailer's Response: In an effort to determine the discrepancies in the Cash Flow Summaries for the 2019 Fiscal Year ("Attachment 1" and Attachment 2"), the Jailer contacted [software name redacted] Customer Support. It was determined that a system update was conducted by [software name redacted] on July 1, 2021, updating from the 2019 version of [software name redacted] to the current version. The inflow/outflow sections of September 22, 2021 report became more detailed and larger ("Attachment 2"), while the inflow/outflow totals remained the same on both reports (\$179,101.31). It is believed by the Jailer and [software name redacted] that the discrepancies between the two Cash Flow Summaries are most likely attributed to the system update conducted on July 1, 2021 (See, "Attachment 3"). Also, per the [software name redacted] representative, sometime around the end of 2020, the Cash Flow Summary was modified by [software name redacted] to fix "a couple of bugs that were found in that report", which could have changed the transactions reported (Also See, "Attachment 4"). It is the belief of the Jailer and [software name redacted] that the differences in these reports could have been the result of the update and/or the bugs, but mostly likely the update in July 2021.

The Jailer will continue to comply with any recommend procedures to ensure all activity is supported by accounting records, and an accurate year-end report will be provided to the Leslie County Treasurer.

Auditor's Reply: We reviewed the attachments noted in the jailer's response and it does not change our finding and recommendations.

2019-002 The Leslie County Jailer Did Not Comply With Bidding Requirements Set Forth In KRS 424.260

This is a repeat finding and was included in the prior year audit report as finding 2018-007. The jailer purchased electronic cigarettes for use as commissary inventory from three vendors totaling \$112,614 in fiscal year ending June 30, 2019, without obtaining bids. Because electronic cigarettes were purchased from three separate vendors, the jailer was unaware of the requirement to obtain bids for this item. The jailer cannot be sure that electronic cigarettes were procured at the best price available without obtaining bids.

KRS 424.260(1) states, "[e]xcept where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract, lease, or other agreement for materials, supplies except perishable meat, fish, and vegetables, equipment, or for contractual services other than professional, involving an expenditure of more than thirty thousand dollars (\$30,000) without first making newspaper advertisement for bids." Strong internal controls require that all invoices and contracts be maintained and reviewed to ensure that he county is paying the best and lowest price for goods/services.

We recommend the jailer comply with KRS 424.260 by obtaining bids for all purchases involving expenditures of more than \$30,000 except for those items exempted in the statute and the jailer ensure that any future state price contract purchases are reviewed thoroughly and adequate documentation is maintained.

Views of Responsible Official and Planned Corrective Action:

Jailer's Response: Since the previous audit, the Leslie County Jailer has complied with the bidding requirements set forth in KRS 424.260, and has had all contracts approved by the Fiscal Court.

LESLIE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2019
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-003 The Leslie County Jail Commissary Lacks Adequate Segregation Of Duties Over Receipts, Disbursements, And Bank Reconciliations

The Leslie County Jail Commissary bookkeeper's duties include posting receipts, preparing and posting disbursements, and completing the bank reconciliations. When one employee is responsible for the receipt, disbursement, and reconciliation of funds, the risk of misappropriation of assets, errors, and inaccurate financial reporting increases. The Leslie County Jailer has implemented compensating controls over these functions by having another employee review daily checkout sheets, reviewing bank reconciliations, reviewing invoices, and the jailer co-signs all checks. However, due to issues related to finding 2019-001, the compensating controls in place are not operating effectively.

Due to a limited number of staff in the jail commissary, segregation of duties is not feasible. As a result, this could result in undetected misappropriation of assets and/or incorrect financial reporting.

Effective internal controls require proper segregation of duties over accounting functions, such as making deposits, preparing disbursements, and reconciling the bank account. Segregation of duties, or the implementation of compensating controls, is essential for providing protection to employees in the normal course of performing their daily responsibilities.

We recommend the Leslie County Jailer segregate duties over receipts, disbursements, and the reconciliation process. If segregation of duties is not possible, then the Leslie County Jailer should continue to implement compensating controls by monitoring the financial activities of the jail commissary and continue to document his review.

Views of Responsible Official and Planned Corrective Action:

Jailer's Response: This department has been consulted about the importance of maintaining proper records and accounting information. Additional training is being sought for the correction of these problems. Furthermore, the Jailer will comply with any recommended procedures to ensure all activity is supported by accounting records, and an accurate year-end report will be provided to the Leslie County Treasurer.

2019-004 The Leslie County Fiscal Court Lacks Adequate Segregation Of Duties Over Receipts, Disbursements, And Reconciliations

This is a repeat finding and was included in the prior year audit report as finding 2018-001. The Leslie County Fiscal Court does not have adequate segregation of duties over receipts, disbursements, and reconciliations. The county treasurer is responsible for preparing deposits, posting to the receipts and disbursements ledgers, signing checks, reconciling all bank accounts, preparing monthly reports for the fiscal court and quarterly reports for Department for Local Government with little or no documented review.

A limited budget places restrictions on the number of employees the fiscal court can hire. When faced with a limited number of staff, strong compensating controls should have been implemented to offset the lack of segregation of duties. A lack of oversight could result in undetected misappropriation of assets an inaccurate financial reporting to external agencies such as the Department of Local Government. Segregation of duties over various accounting functions, such as opening mail, collecting receipts, preparing bank deposits, posting receipts and disbursements, preparing reports and reconciliations, or the implementation of compensating controls, when needed because the number of staff is limited is essential for providing protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

LESLIE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2019
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-004 The Leslie County Fiscal Court Lacks Adequate Segregation Of Duties Over Receipts, Disbursements, And Reconciliations (Continued)

We recommend the fiscal court separate the duties involving the opening of mail, collecting and depositing of receipts, posting receipts, disbursements, and preparation of reports and reconciliations. If this is not feasible due to a limited budget, strong oversight over these areas could occur and involve an employee that isn't currently performing any of those functions. Additionally, the county judge/executive could provide this oversight and document it on the appropriate source documents.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: A new financial software has been implemented. This has allowed designated employees and Treasurer to review and obtain any financial documents anytime including all financial reports, reconciliations, receipts ledgers, and expenditure ledgers.

2019-005 The Leslie County Fiscal Court Did Not Follow Proper Bid Laws And Regulations

This is a repeat finding and was included in the prior year audit report as finding 2018-003. The Leslie County Fiscal Court did not properly follow proper bid laws and regulations.

- Two payments were made for road and bridge repairs that totaled \$50,800 to one vendor without receiving any submitted bids.
- Two payments were made for the cleanup of illegal dumps that totaled \$110,751 to one vendor without receiving any submitted bids.
- Bids submitted for steel driving were rejected and rebid, however no one rebid. During testing it was found that one vendor received \$451,597, but did not have an accepted bid in place.
- Bids submitted for asphalt were rejected and rebid, however no one rebid. During testing it was found that one vendor received \$768,849, but did not have an accepted bid in place.

Sufficient internal controls were not in place over the bidding process to ensure items and services were not purchased from vendors without first advertising or receiving bids when necessary on all purchases required to be bid. By limiting competition or not receiving bids at all, fiscal court may not get the benefits of the best price available. Competitive bidding ensures the fiscal court procures equipment and services at the best price available.

KRS 424.260(1) states, "[e]xcept where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract, lease, or other agreement for materials, supplies except perishable meat, fish, and vegetables, equipment, or for contractual services other than professional, involving an expenditure of more than thirty thousand dollars (\$30,000) without first making newspaper advertisement for bids."

KRS 178.140 states, "(1) All bids for the construction or maintenance of county roads and bridges shall be received at the time and placed specified in the advertisement, and shall be opened publicly at the time of awarding, and the amount of items comprising each bid shall be publicly announced. (2) The contract shall be awarded to the lowest and best bidder, who shall furnish satisfactory security in an amount equal to the amount of the contract in question, to be approved by the county judge/executive of the county."

LESLIE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2019
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-005 The Leslie County Fiscal Court Did Not Follow Proper Bid Laws And Regulations (Continued)

We recommend the fiscal court ensure any purchases over \$30,000 or more are bid in compliance with KRS 424.260 and ensure they obtain supporting documentation that bid terms are complied with.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The Fiscal Court has consulted with the County Attorney to become more familiar with proper requirements to avoid improper bidding. Since that time all bids have complied with proper bid laws and regulations.

2019-006 The Leslie County Fiscal Court Did Not Have Strong Internal Controls Over Disbursements

This is a repeat finding and was included in the prior year audit report as finding 2018-006. Proper procedures were not followed over disbursements, supporting documentation was not maintained and appropriate, haul tickets were not maintained for asphalt, and fiscal court was not properly approving invoices. The following exceptions were noted:

- Thirteen credit card charges did not have an itemized receipt or invoice.
- The asphalt invoices tested were missing haul tickets. Vendor would supply invoice with the total amount of blacktop per road, no one reviewed to make sure all loads charged goes to the county job site.
- Eleven invoices tested were not paid within 30 business days. One credit card invoice included interest of \$24, however the county did not pay the interest.
- Two invoices and one credit card invoice were paid and then listed on the Nunc Pro Tunc list for approval by fiscal court.
- Three instances where purchases on the credit card bill were not paid

As a result of not monitoring controls in place, it allowed for the deficiencies to occur. These deficiencies could result in inaccurate reporting and misappropriation of assets.

The Department for Local Government, under the authority of KRS 68.210, gives the state local finance officer the authority to prescribe minimum requirements for handling public funds. According to the *County Budget Preparation and State Local Finance Officer Policy Manual*, disbursements should be made by check only. In addition, good internal controls require original supporting documentation be maintained for all disbursements.

KRS 65.140(2) states, “[u]nless the purchaser and vendor otherwise contract, all bills for goods or services shall be paid within thirty (30) working days of receipt of a vendor’s invoice except when payment is delayed because the purchaser has made a written disapproval of improper performances or improper invoicing by the vendor or by the vendor’s subcontractor.”

KRS 68.275 states, in part, “(2) The county judge/executive shall present all claims to the fiscal court for review prior to payment and the court, for good cause shown, may order that a claim not be paid. (3) The fiscal court may adopt an order, called a standing order, to preapprove the payment of recurrent monthly payroll and utility expenses. No other expenses shall be preapproved pursuant to this subsection without the written consent of the state local finance officer...”

We recommend the fiscal court implement proper internal controls over disbursements and ensure they are operating effectively.

LESLIE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2019
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-006 The Leslie County Fiscal Court Did Not Have Strong Internal Controls Over Disbursements
 (Continued)

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Each department has been consulted regarding the importance of obtaining proper receipts, invoices, etc. to comply with proper procedures.

2019-007 The Leslie County Fiscal Court Lacks Adequate Segregation Of Duties Over Payroll

This is a repeat finding and was included in the prior year audit report as finding 2018-008. The Leslie County Fiscal Court does not have adequate segregation of duties over payroll. The county treasurer receives the timesheet, enters the hours into the payroll system, prints and signs checks, prepares and submits all payroll related reports such as retirement and payroll withholdings. In addition, the treasurer maintains records for leave and sick time earned and used by employees. These payroll process are completed with little to no documented reviews.

The fiscal court and county judge executive failed to develop adequate segregate of duties over the payroll process and reporting functions and did not implement adequate oversight regarding the payroll process. The lack of oversight could result in undetected misappropriation of assets and inaccurate financial reporting to external agencies such as the Department for Local Government.

Segregation of duties over various payroll functions, such as entering employees' time into the payroll system, processing payroll, printing checks, and preparing and submitting all payroll and payroll related reports or the implementation of compensating controls, when needed because the number of staff is limited, is essential for providing protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the fiscal court separate the payroll process, printing and signing checks, and preparing and submitting all payroll and payroll related reports. If segregation of duties is not possible, due to the limited number of staff, strong oversight should be implemented. The employee providing this oversight should document his or her review by initialing all source documentation. Additionally, the county judge/executive could provide this oversight and document it on the appropriate source documents.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: All time sheets are reviewed by each supervisor prior to submission to office. All time sheets are reviewed by office personnel for review of usage for sick time and vacation time. A new system has been created to track all sick and vacation time for each employee. This allows all employees an accurate record of their vacation and sick time available and the dates when such days were taken. All administrative office personnel have access to this information to be able to distribute accordingly as requested.

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

LESLIE COUNTY FISCAL COURT

For The Year Ended June 30, 2019

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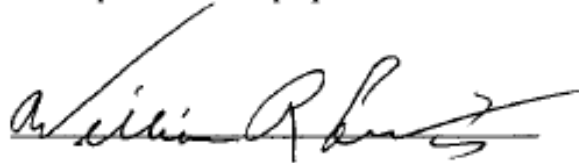
CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAM

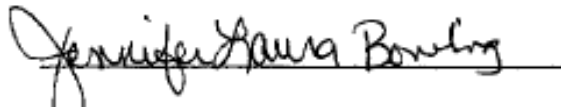
LESLIE COUNTY FISCAL COURT

For The Year Ended June 30, 2019

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



County Judge/Executive



County Treasurer

APPENDIX C

LESLIE COUNTY, KENTUCKY

GENERAL OBLIGATION BONDS, SERIES 2022

FORM OF LEGAL OPINION OF BOND COUNSEL



99 WIND HAVEN DRIVE
SUITE 3
NICHOLASVILLE, KY 40356
859-469-6330

February 2, 2022

Hon. William R. Lewis, Judge Executive
Leslie County, Kentucky
22010 Main Street
Hyden, Kentucky 41749

U.S. Bank, National Association
Paying Agent and Registrar
One Financial Square
U.S. Bank Corp. Trust Services
CN-KY-0850
Louisville, Kentucky 40202

RE: \$2,500,000 Leslie County, Kentucky, General Obligation Bonds, Series 2022

Ladies and Gentlemen:

We have examined the transcript of proceedings relating to the issue of \$2,500,000 Leslie County, Kentucky (the "County" or "Issuer") General Obligation Bonds, Series 2022, dated February 2, 2022 (the "Bonds") and of the denomination of \$5,000 and any integral multiple thereof. The Bonds mature, bear interest, and are subject to mandatory and optional redemption upon the terms set forth therein. We have also examined a specimen of the Bonds.

Regarding questions of fact material to our opinion, we have relied on the representations of the Issuer contained in Ordinance No. 2021-001, adopted by the County on May 26, 2021 and in the certified proceedings and other certifications, including the Federal Tax Certificate, of public officials and others furnished to us, without undertaking to verify the same by independent investigation. We have assumed that all signatures on documents, certificates, and instruments examined by us are genuine, all documents, certificates, and instruments submitted to us as originals are authentic and all documents, certificates, and instruments relating to the issuance of the Bonds have been duly authorized, executed, and delivered by all parties thereto, other than the Issuer, and we have further assumed the due organization, existence, and powers of such other parties, other than the Issuer.

As bond counsel, we have been retained solely for the purpose of examining the validity and legality of the Bonds and of rendering the specific opinions herein stated and for no other purpose. We have not verified the accuracy, completeness, or fairness of any representation or information concerning the business or financial condition of the Issuer in connection with the sale of the Bonds. Accordingly, we express no opinion on the completeness, fairness, or adequacy of any such representation or information.

Based on this examination, we are of the opinion, based upon laws, regulations, rulings, and decisions in effect on the date hereof, that:

1. The Bonds constitute valid obligations of the Issuer in accordance with their terms, which unless paid from other sources, are payable from taxes to be levied by the Issuer without limitation as to rate and amount.

2. Under the laws, regulations, rulings, and judicial decisions in effect as of the date hereof, interest on the Bonds is excludable from gross income for Federal income tax purposes, pursuant to the Internal Revenue Code of 1986, as amended (the "Code"). Furthermore, interest on the Bonds will not be treated as a specific item of tax preference in computing the alternative minimum tax. In rendering the opinions in this paragraph, we have assumed continuing compliance with certain covenants designed to meet the requirements of Section 103 of the Code. We express no other opinion as to the federal tax consequences of purchasing, holding, or disposing of the Bonds.

3. The interest on the Bonds is not subject to taxation by the Commonwealth of Kentucky, and the Bonds are not subject to ad valorem taxation by the Commonwealth of Kentucky or by any political subdivision thereof.

The Bonds have been designated as "qualified tax-exempt obligations" with respect to investments by certain financial institutions under Section 265 of the Code.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Bond Ordinance are limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered as law or in equity.

We express no opinion herein regarding the accuracy, adequacy, or completeness of the Official Statement relating to the Bonds. Further, we express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, may hereinafter arise as a result of the County's on-going obligation to comply with provisions of the Code as set forth in the Federal Tax Certificate, or any changes in law that may hereafter occur.

Sincerely,

GBJ & ASSOCIATES, PLLC

Gillard B. Johnson, III

APPENDIX D

**LESLIE COUNTY, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2022**

**STATEMENT OF INDEBTEDNESS,
KENTUCKY CONSTITUTION §§ 157 AND 158 AND KRS 66.041**

(e) Obligations issued to pay costs of public projects to the extent they are issued in anticipation of the receipt of, and are payable as to principal from, federal or state grants within that fiscal year.....	\$	0
(f) Leases entered into under KRS 65.940 to 65.956 after July 15, 1996 which are not tax-supported leases.....	\$	
(g) Bonds issued in the case of an emergency, when the public health or safety should so require.....	\$	0
(h) Bonds issued to fund a floating indebtedness.....	\$	0
		<hr/>
TOTAL EXEMPT OBLIGATIONS.....	\$	

5. The total of bonds, notes, and other obligations subject to the debt limitation set forth in KRS 66.041 (3 minus 4) is..... \$607,264*
6. The total of bonds, notes, and other obligations subject to the debt limitation set forth in KRS 66.041 as computed in 5 above, does not exceed 2.0% of the assessed valuation of all the taxable property in the County.
7. The current tax rate of the County, for other than school purposes, upon the value of the taxable property therein is \$____ cents per \$100 of assessed value for real property and \$_____ cents per \$100 of assessed value for personal property, which does not exceed the maximum permissible tax rate for the County as set forth in Section 157 of the Kentucky Constitution.
8. The issuance of the bonds, notes or other obligations set forth in 3 hereof will not cause the tax rate set forth in 7 hereof to increase in an amount which would exceed the maximum permissible tax rate for the County as set forth in Section 157 of the Kentucky Constitution.

IN WITNESS WHEREOF, I have hereunto set my hand this 2nd day of February 2022.

County Treasurer

**Preliminary, subject to change*

APPENDIX E
LESLIE COUNTY, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2022

CONTINUING DISCLOSURE AGREEMENT

**CONTINUING DISCLOSURE AGREEMENT
OF LESLIE COUNTY
FOR THE PURPOSE OF PROVIDING
CONTINUING DISCLOSURE INFORMATION
UNDER SECTION (b)(5) OF SEC RULE 15c2-12, AS AMENDED**

This Continuing Disclosure Agreement (this “Agreement”) is executed and delivered by Leslie County, Kentucky (the “County” or “Obligated Person”) in connection with the issuance of \$2,500,000 Leslie County, Kentucky General Obligation Bonds, Series 2022 (the “Series 2022 Bonds” or “Bonds”).

Authority for the issuance of the Bonds is provided by Sections 66.011 through 66.171 of the Kentucky Revised Statutes and an Ordinance adopted by the Fiscal Court on May 26, 2021.

In consideration of the issuance of the Bonds by the County and the purchase of such Bonds by the owners thereof, the County hereby covenants and agrees as follows:

Section 1. Purpose of this Agreement. This Agreement is executed and delivered by the County as of the date set forth below, for the benefit of the holders and owners (the “Bondholders”) of the Bonds and in order to assist the Participating Underwriter (as defined below) in complying with the requirements of the Rule (as defined below). The County represents that it will be the only obligated person (as defined in the Rule) with respect to the Bonds at the time the Bonds are delivered to the Participating Underwriter and that no other person is expected to become an obligated person at any time after the issuance of the Bonds.

Section 2. Definitions. The terms set forth below shall have the following meanings in this Agreement, unless the context clearly otherwise requires.

“*Annual Financial Information*” means the financial information and operating data described in Exhibit I.

“*Annual Financial Information Disclosure*” means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as set forth in Section 4.

“*Audited Financial Statements*” means the audited consolidated financial statements of the County, prepared pursuant to the standards and as described in Exhibit I.

“*Commission*” means the U.S. Securities and Exchange Commission.

“*Commonwealth*” means the Commonwealth of Kentucky.

“*Dissemination Agent*” means any agent designated as such in writing by the County and which has filed with the County a written acceptance of such designation, and such agent’s successors and assigns.

“*EMMA*” means the Electronic Municipal Market Access facility for municipal securities disclosure of the MSRB.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

“*Financial Obligation*”, as used in Exhibit II, (i) a debt obligation; (ii) a derivative instrument entered into in connection with or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii).

“*Material Event*” means the occurrence of any of the events with respect to the Bonds set forth in Exhibit II.

“*Material Events Disclosure*” means dissemination of a notice of a Material Event as set forth in Section 5.

“*MSRB*” means the Municipal Securities Rulemaking Board.

“*Participating Underwriter*” means each broker, dealer or municipal securities dealer acting as an Underwriter in any primary offering of the Bonds.

“*Prescribed Form*” means, with regard to the filing of Annual Financial Information, Audited Financial Statements and notices of Material Events with the MSRB at www.emma.msrb.org (or such other address or addresses as the MSRB may from time to time specify), such electronic format, accompanied by such identifying information, as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of such information.

“*Rule*” means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

“*Undertaking*” means the obligations of the County pursuant to Sections 4 and 5.

Section 3. CUSIP Number/Final Official Statement. The CUSIP Number of the final maturity of the Bonds is _____. The final Official Statement relating to the Bonds is dated _____, 2022 (the “Final Official Statement”).

Section 4. Annual Financial Information Disclosure. Subject to Section 9 of this Agreement, the County hereby covenants that it will disseminate the Annual Financial Information and the Audited Financial Statements (in the form and by the dates set forth below and in Exhibit I) to the MSRB within 210 days of the completion of the County’s fiscal year or at such time as the audited financial statements become available.

The County is required to deliver such information in Prescribed Form and by such time so that such entities receive the information by the dates specified.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the County will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment is made to this Agreement, the Annual Financial Information for the year in which such amendment is made (or in any notice or supplement provided to the MSRB) shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

Section 5. Material Events Disclosure. Subject to Section 9 of this Agreement, the County hereby covenants that it will disseminate in a timely manner, not in excess of 10 business days after the occurrence of the event, Material Events Disclosure to the MSRB in Prescribed Form. Notwithstanding the

foregoing, notice of optional or unscheduled redemption of any Bonds or defeasance of any Bonds need not be given under this Agreement any earlier than the notice (if any) of such redemption or defeasance is given to the owners of the Bonds pursuant to the Indenture. From and after the Effective Date, the County is required to deliver such Material Events Disclosure in the same manner as provided by Section 4 of this Agreement.

Section 6. Duty To Update EMMA/MSRB. The County shall determine, in the manner it deems appropriate, whether there has occurred a change in the MSRB's e-mail address or filing procedures and requirements under EMMA each time it is required to file information with the MSRB.

Section 7. Consequences of Failure of the County to Provide Information. The County shall give notice in a timely manner, not in excess of 10 business days after the occurrence of the event, to the MSRB in Prescribed Form of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the County to comply with any provision of this Agreement, the Bondholder of any Bond may seek specific performance by court order to cause the County to comply with its obligations under this Agreement. A default under this Agreement shall not be deemed an Event of Default under the Indenture or the Loan Agreement or any other agreement, and the sole remedy under this Agreement in the event of any failure of the County to comply with this Agreement shall be an action to compel performance.

Section 8. Amendments; Waiver. Notwithstanding any other provision of this Agreement, the County may amend this Agreement, and any provision of this Agreement may be waived, if:

- (i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the County or type of business conducted;
- (ii) This Agreement, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (iii) The amendment or waiver does not materially impair the interests of the Bondholders of the Bonds, as determined either by parties unaffiliated with the Issuer or the County (such as the Trustee) or by an approving vote of the Bondholders of the Bonds holding a majority of the aggregate principal amount of the Bonds (excluding Bonds held by or on behalf of the County or its affiliates) pursuant to the terms of the Indenture at the time of the amendment; or
- (iv) The amendment or waiver is otherwise permitted by the Rule.

Section 9. Termination of Undertaking. The Undertaking of the County shall be terminated hereunder when the County shall no longer have any legal liability for any obligation on or relating to the repayment of the Bonds. The County shall give notice to the MSRB in a timely manner and in Prescribed Form if this Section is applicable.

Section 10. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

Section 11. Additional Information. Nothing in this Agreement shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Material Event, in addition to that which is required by this Agreement. If the County chooses to include any information from any document or notice of occurrence of a Material Event in addition to that which is specifically required by this Agreement, the County shall not have any obligation under this Agreement to update such information or include it in any future disclosure or notice of the occurrence of a Material Event.

Section 12. Beneficiaries. This Agreement has been executed in order to assist the Participating Underwriter in complying with the Rule; however, this Agreement shall inure solely to the benefit of the County, the Dissemination Agent, if any, the Issuer, the Trustee and the Bondholders of the Bonds, and shall create no rights in any other person or entity.

Section 13. Recordkeeping. The County shall maintain records of all Annual Financial Information Disclosure and Material Events Disclosure, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

Section 14. Assignment. The County shall not transfer its obligations under the Financing Agreement unless the transferee agrees to assume all obligations of the County under this Agreement or to execute a continuing disclosure undertaking under the Rule.

Section 15. Governing Law. This Agreement shall be governed by the laws of the Commonwealth.

LESLIE COUNTY, KENTUCKY

By: _____
Title: County Judge/Executive

Dated: February 2, 2022

EXHIBIT I

ANNUAL FINANCIAL INFORMATION AND TIMING AND AUDITED FINANCIAL STATEMENTS

“*Annual Financial Information*” means financial information and operating data exclusive of Audited Financial Statements as set forth below of the type appearing or incorporated by reference under the captions “Top Taxpayers,” “Property Tax Rates,” “Tax Collection History” in Appendix A of the Final Official Statement.

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted to the MSRB or filed with the Commission. The County shall clearly identify each such item of information included by reference.

Annual Financial Information will be provided to the MSRB within 210 days after the last day of the County’s fiscal year. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, and Audited Financial Statements will be provided to the MSRB within 10 business days after availability to the County.

Audited Financial Statements will be prepared in accordance with generally accepted accounting principles in the United States as in effect from time to time.

If any change is made to the Annual Financial Information as permitted by Section 4 of the Agreement, including for this purpose a change made to the fiscal year-end of the County, the County will disseminate a notice to the MSRB of such change in Prescribed Form as required by such Section 4.

EXHIBIT II

EVENTS WITH RESPECT TO THE BONDS FOR WHICH MATERIAL EVENTS DISCLOSURE IS REQUIRED

1. Principal and interest payment delinquencies
2. Nonpayment related defaults, if material
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security
7. Modifications to rights of security holders, if material
8. Bond calls, if material, and tender offers (except for mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event)
9. Defeasances
10. Release, substitution or sale of property securing repayment of the securities, if material
11. Rating changes
12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person (Note: For the purposes of this event, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person)
13. The consummation of a merger, consolidation or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.
15. Incurrence of a Financial Obligation of the Issuer or Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the issuer or Obligated Person, any of which affect security holders, if material; and

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the issuer or obligated person, any of which reflect financial difficulties.

APPENDIX F

**LESLIE COUNTY, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2022**

FORM OF OPINION OF COUNTY ATTORNEY

COUNTY ATTORNEY LETTERHEAD

February 2, 2022

Hon. William R. Lewis, Judge Executive
Leslie County, Kentucky
22010 Main Street
Hyden, Kentucky 41749

U.S. Bank, National Association
Paying Agent and Registrar
One Financial Square
U.S. Bank Corp. Trust Services
CN-KY-0850
Louisville, Kentucky 40202

GBJ & Associates, PLLC
99 Wind Haven Drive, Suite #3
Nicholasville, Kentucky 40356

RE: \$2,500,000 Leslie County, Kentucky, General Obligation Bonds, Series 2022

Ladies and Gentlemen:

I am an attorney at law duly admitted to practice law in the Commonwealth of Kentucky and I am the County Attorney for the County of Leslie Kentucky (the "County"). I am familiar with the organization and existence of the County and the laws of the Commonwealth applicable thereto. Additionally, I am familiar with the Bonds, and Ordinance No. 2021-001, adopted by the County on May 26, 2021.

I have reviewed the Ordinance authorizing the execution and delivery of the Bonds, and the proceedings of the County with respect to the Bonds.

Based upon my review I am of the opinion that:

(1) The County is a duly organized and existing political subdivision of the Commonwealth of Kentucky validly existing under the Constitution and statutes of the Commonwealth of Kentucky.

(2) The Ordinance has been duly and properly adopted by the County and the Bonds have been duly authorized, executed and delivered by the County. The Bonds are a full faith and credit obligation of the County, the payment for which the County is obligated to exercise its taxing power, without limit as to rate or amount, upon all taxable property within the County.

(3) The County has all of the necessary power and authority to adopt the Ordinance and to perform and consummate all transactions contemplated thereby, and to execute and deliver the documents and instruments to be executed and delivered by them in connection with the issuance of the Bonds.

(4) The issuance of the Bonds does not and will not conflict with, violate or constitute a default under any court or administrative order, decree or ruling, or any law, statute, ordinance or regulation, or any agreement, indenture, mortgage, lease, Bond or other obligation or instrument, binding upon the County, or any of its properties or assets, and the County has obtained each and every authorization, consent, permit, approval or license of, or filing or registration with (other than filings related to securities laws, if any), any

court or government department, commission, board, bureau, agency or instrumentality, or any specifically granted exemption from any of the foregoing, that is necessary to the valid execution and delivery of the Bonds.

(5) To the best of my knowledge after due inquiry there is no action, suit, proceedings or investigation at law or in equity before any court, public board or body pending or threatened against, affecting or questioning (i) the valid existence of the County, (ii) the right or title of the members and officers of the County to their respective positions, (iii) the authorization, execution, delivery or enforceability of the Bonds or the application of any monies or security therefore, or (iv) that would have a material adverse impact on the ability of the County to perform its obligations under the Bonds or Ordinance.

(6) None of the proceedings or authority theretofore had or taken by the County for the authorization, execution or delivery of the Bonds has or have been repealed, rescinded, or revoked.

(7) All proceedings and actions of the County with respect to which the Bonds are to be issued and delivered and other instruments were authorized, were has or taken at meetings properly convened and held in substantial compliance with the applicable provisions of the Kentucky Revised Statutes.

Very truly yours,

Leroy Lewis
County Attorney

APPENDIX G
LESLIE COUNTY, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2022

OFFICIAL TERMS AND CONDITIONS

OFFICIAL TERMS AND CONDITIONS OF BOND SALE

\$2,500,000

**LESLIE COUNTY, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2022**

DATED _____, 2022

Sealed proposals, addressed to the undersigned, will be received by RSA Advisors, LLC as the financial advisor to the County of Leslie, Kentucky (the "County") until 11:00 AM (ET) on the 12th day of January 2022 for the purchase of \$2,500,000 Leslie County, Kentucky General Obligation Bonds, Series 2022 (the "Bonds").

The Bonds will be issued initially under the DTC Book-Entry Only System registered in the name of CEDE & Co., as the registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. The Bonds will bear interest from the date of delivery, at a rate or rates to be named by the bidder, payable on February 1 and August 1 of each year commencing August 1, 2022. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be dated as of the date of delivery and will mature on February 1, 2023 and each February 1 thereafter through and including February 1, 2052.

Bidders may combine two or more consecutive maturities of Bonds to create term maturities, each of which will be subject to annual mandatory sinking fund redemption at par plus accrued interest to the redemption date (to the extent not previously redeemed) in the principal amounts for the years shown above (or as may be adjusted as provided herein) on February 1 of such year. U.S. Bank, National Association, Louisville, Kentucky will serve as Registrar and Paying Agent. All payments of principal and interest with respect to the Bonds shall be through the facilities of DTC.

The Bonds maturing on or after February 1, 2031 will be subject to redemption prior to maturity, in whole or in part, at the option of the County, on any date on or after February 1, 2030 from any moneys available therefore, at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest to the redemption date.

Both principal and interest will be payable in any coin or currency of the United States of America, which at the time of payment, is legal tender for the payment of public and private debts at the Corporate Trust Office of the Paying Agent.

After final computation of the proposals, the County reserves the right to decrease or increase the principal amount of the Bonds of any maturity (all calculations to be rounded to the nearest \$5,000). In any event, the principal amount of the Bonds shall not exceed \$2,500,000. Such adjustment(s), if any, shall be made within 24 hours of the award of the Bonds.

In the event of any adjustment of the maturity schedule for the Bonds as described herein, no rebidding or recalculation of the proposals submitted will be required or permitted. The total purchase price of the Bonds will be increased or decreased in the direct proportion that the adjustment bears to the aggregate principal amount of the Bonds specified herein; and the Bonds of each maturity, as adjusted, will bear interest at the same rate and must have the same reoffering yield as are specified by the successful bidder for the Bonds of that maturity. Nevertheless, the award of the Bonds will be made to the

bidder whose proposal produces the lowest true interest cost solely on the basis of the Bonds offered, without taking into account any adjustment in the amount of the Bonds pursuant to this paragraph.

Bids will be accepted or rejected by 5:00 PM ET on the day of the sale. No proposal for the purchase of less than all of the Bonds, or at a price less than 98% of par will be considered. Bidders are invited to name the rate or rates of interest which the Bonds are to bear and, unless all bids are rejected, they will be awarded to the bidder offering to purchase them at the lowest true interest cost to the County. Bidders may name any number of rates of interest, in any variations selected by the bidder except that:

- (a) all Bonds of the same maturity shall bear the same rate of interest;
- (b) no rate may exceed five percent (5%);
- (c) each interest rate named shall be a multiple of 1/100th or 1/8th of 1%; and
- (d) any sum named by way of premium shall be paid in cash as a part of the purchase price.

For the purpose of determining the best bid, the lowest true interest cost will be calculated based on the amount of Bonds being offered as set forth herein. The County reserves the right to reject any and all bids or to waive irregularities in any bid. In the event of more than one proposal specifying the lowest such rate, the Bonds will be awarded to the bidder whose proposal is selected by lot or by such other method as those submitting such tie bids and the County shall agree upon.

Sealed competitive bids may be transmitted via email to bskinner@rsamuni.com or by mail or hand delivery to RSA Advisors, LLC, 147 E. Third Street, Lexington, Kentucky 40508, Attn: Bryan Skinner, telephone: (859) 977-6600, until 11:00 AM (ET) on January 12, 2022 but no bids will be received after the time specified above.

The successful bidder will be required to furnish to the Paying Agent, an amount equal to two percent (2%) of the principal amount of Bonds awarded by the close of business on the first business day following the award. Said good faith deposit amount will be applied (without interest) to the purchase price on delivery.

The authority, purpose, security, and source of payment of the Bonds, and the application of the proceeds thereof, are described in the Official Statement of the County, reference to which is hereby made.

The Preliminary Official Statement has been deemed final by the County for purposes of paragraph (b)(1) of Rule 15c2-12 of the Securities and Exchange Commission (the "Rule") but is subject to revision, amendment and completion in a final Official Statement as provided in the Rule. The Preliminary Official Statement is available at www.rsamuni.com. The County will furnish the successful bidder with the final Official Statement in electronic form in order to allow the bidder to comply with the Rule, without charge. The successful bidder will be required to bear the expense of the printing the Final Official Statement.

In order to assist bidders in complying with SEC Rule 15c2-12, the County will undertake,

pursuant to the Ordinance authorizing the issuance of the Bonds, to provide notice of certain material events. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the final Official Statement.

If the successful bidder for the Bonds desires to purchase a municipal bond insurance policy insuring payment of all or a portion of the debt service payable on the Bonds, the successful bidder does so at its own risk and expense and the obligation of the successful bidder to pay for the Bonds shall not be conditioned on the issuance of a municipal bond insurance policy. The County will cooperate with the successful bidder in obtaining such insurance, but the County will not enter into any additional agreements with a bond insurer. Without limiting the generality of the foregoing, the successful bidder will be responsible for all costs, expenses and charges associated with the issuance of such insurance, including but not limited to the premium for the insurance policy and any taxes related thereto, and excluding only the fees of Moody's Investors Service, Inc.

The County shall furnish upon delivery of the Bonds the final approving opinion of GBJ & Associates, PLLC, Bond Counsel, Nicholasville, Kentucky, which opinion shall be attached to each Bond, together with the usual closing documents, including a certificate that no litigation is pending affecting the Bonds.

The successful bidder shall assist the County in establishing the issue price of the Bonds by delivering to the Issuer an "issue price" certificate (the "Certificate") dated the delivery date, using (depending on whether at least three bids are received) the applicable form attached hereto. If less than three bids are received for the Bonds, the successful bidder will be required, unless waived by the County, to certify that it "held-the-price" for the bonds during the Holding Period (as defined in the Certificate) at the prices identified on the Sale Date (as defined in the Certificate). In its sole discretion, the County may permit the winning bidder to certify that it will, immediately upon the sale of any bonds, notify the Issuer (and financial advisor) of each subsequent offering price until the end of the Holding Period, all as set forth in the Certificate. If the winning bidder determines, at the time for accepting a bid, that it will not agree to certify it "held-the-price," the County reserves the right to reject the bid submitted by that bidder. All actions to be taken by the County under these Official Terms to establish the issue price of the Bonds may be taken on behalf of the County by the Financial Advisor and any notice or report to be provided to the County shall be provided to the Financial Advisor.

The County intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of each of the Bonds (the "competitive sale requirements") because:

- (a) the County will disseminate these Official Terms to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- (b) all bidders will have an equal opportunity to bid;
- (c) the County may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (d) the County anticipates awarding the Bonds to the bidder who submits a firm offer to purchase the Bonds at the lowest true interest cost, as set forth in these Official Terms.

Any bid submitted pursuant to this these Official Terms shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.”

The Bonds will be delivered on or about February 2, 2022, through the facilities of DTC at the expense of the County, or at such other place as may be agreed upon with the purchaser at the expense of the purchaser. The purchase price then due must be paid in Federal funds or other immediately available funds. The cost of preparing the Bonds will be borne by the County.

It is anticipated that CUSIP identification numbers will be printed on the Bonds but neither the failure to print such numbers on any Bonds nor any error with respect thereto shall constitute cause for failure or refusal by the purchaser thereof to accept delivery of and pay for the Bonds in accordance with the terms of its proposal. All expenses in relation to the printing of CUSIP identification numbers on the Bonds shall be paid for by the County; provided, however, that the CUSIP Service Bureau charge for the assignment of such numbers shall be the responsibility of and shall be paid for by the successful bidder.

LESLIE COUNTY, KENTUCKY

By: _____
Judge/Executive

[three or more bids]

ISSUE PRICE CERTIFICATE

**\$2,500,000 LESLIE COUNTY, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2022**

The undersigned, on behalf of _____ (“Underwriter”), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the “Bonds”).

1. Reasonably Expected Initial Offering Price

- (a) As of January 12, 2022 (the “Sale Date”), the reasonably expected initial offering price of the Bonds to the Public by _____ is the price listed in Schedule A (the “Expected Offering Price”). The Expected Offering Price is the price for the Bonds used by _____ in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by _____ to purchase the Bonds.
- (b) _____ was not given the opportunity to review other bids prior to submitting its bid.
- (c) The bid submitted by _____ constituted a firm offer to purchase the Bonds.

2. Defined Terms

- (a) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.
- (b) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents _____’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by GBJ & Associates, PLLC, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

[UNDERWRITER]

By: _____

Name: _____

Dated: January 12, 2022

SCHEDULE A

EXPECTED OFFERING PRICES

(Attached)

SCHEDULE B
BID SUBMITTED BY

(Attached)

[less than three bids]

ISSUE PRICE CERTIFICATE

**\$2,500,000 LESLIE COUNTY, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2022**

The undersigned, on behalf of [NAME OF SUCCESSFUL BIDDER] (the “Successful Bidder”), hereby certifies as set forth below with respect to the sale of \$2,500,000 Leslie County, Kentucky General Obligation Bonds, Series 2022 (the “Bonds”).

1. Sale of Bonds.

As of the date of this certificate, for each Maturity of the Bonds, the first price at which at least 10% of each Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A [and to the extent 10% of the Bonds of any maturity have not been sold as of the date hereof, the Winning Bidder will notify the County and its financial advisor of the sale price, immediately upon any such sale until at least 10% of each Maturity has been sold to the Public] [and that it neither offered nor sold any of the Bonds of any Maturity to any person at a price that is higher than the initial offering price for such Maturity during the Holding Period for such Maturity].

2. Defined Terms.

- a. “Maturity” means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.
- b. “Holding Period” means, with respect to a Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the successful purchaser has sold at least 10% of such Maturity to the Public at prices that are no higher than the Initial Offering Price for such Maturity.
- c. “Public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.
- d. “Sale Date” means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is January 12, 2022.
- e. “Underwriter” means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Winning Bidder’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the foregoing tax certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by GBJ & Associates, PLLC in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

[WINNING BIDDER]

By: _____

Name: _____

Dated: January 12, 2022

SCHEDULE A

SALE PRICES

(Attached)

APPENDIX H
LESLIE COUNTY, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2022

OFFICIAL BID FORM

OFFICIAL BID FORM

Hon. William R. Lewis, Judge Executive
 Leslie County, Kentucky
 22010 Main Street
 Hyden, Kentucky 41749

January 12, 2022

Subject to the Official Terms and Conditions of Bond Sale in respect to the \$2,500,000 “County of Leslie, Kentucky General Obligation Bonds, Series 2022” dated February 2, 2022 with delivery, to all of which the undersigned agrees, the undersigned hereby submits the following offer to purchase said Bonds.

We hereby bid for said \$_____ principal amount of Bonds the total sum of \$_____ (not less than \$_____) at the following interest rates:

<u>Maturing February 1</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Maturing February 1</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>
2023	\$60,000.00	%		2038	\$80,000.00	%	
2024	60,000.00	%		2039	85,000.00	%	
2025	65,000.00	%		2040	85,000.00	%	
2026	65,000.00	%		2041	85,000.00	%	
2027	65,000.00	%		2042	90,000.00	%	
2028	65,000.00	%		2043	90,000.00	%	
2029	65,000.00	%		2044	95,000.00	%	
2030	70,000.00	%		2045	95,000.00	%	
2031	70,000.00	%		2046	100,000.00	%	
2032	70,000.00	%		2047	105,000.00	%	
2033	70,000.00	%		2048	105,000.00	%	
2034	75,000.00	%		2049	110,000.00	%	
2035	75,000.00	%		2050	110,000.00	%	
2036	75,000.00	%		2051	115,000.00	%	
2037	80,000.00	%		2052	120,000.00	%	

We understand this bid may be accepted for as much as \$2,500,000 of Bonds or as little as deemed by the County to be in County’s best interest, with the variation in such amount occurring in any maturity or all maturities, which will be determined by the County at the time of acceptance of the best bid.

It is understood that the County will furnish the final, approving Legal Opinion of GBJ & Associates, PLLC, Lexington, Kentucky.

The Purchaser of the Bonds may specify to the County that any of the Bonds may be combined with immediately succeeding sequential maturities into a Term Bond or Term Bonds, bearing a single rate of interest, with the maturities set forth above (or as may be adjusted as provided herein) comprising mandatory sinking fund redemption amounts for such Term Bond(s).

Notice is hereby given that sealed competitive bids may be transmitted via email to bskinner@rsamuni.com or by mail or hand delivery to RSA Advisors, LLC, 147 E. Third Street, Lexington, Kentucky 40508, Attn: Bryan Skinner, telephone: (859) 977-6600, until 11:00 AM (ET) on January 12, 2022 but

no bids will be received after the time specified above.

Neither the County nor the Financial Advisor assumes any responsibility whatsoever with regard to the receipt of bids. Bidders have the sole responsibility of assuring that their bids have been received or delivered by an employee or agent for the Bidder before the appointed date and hour of sale.

The successful bidder will be required to furnish to the Paying Agent bank, an amount equal to two percent (2%) of the principal amount of Bonds awarded by the close of business on the first business day following the award. Said good faith deposit amount will be applied (without interest) to the purchase price on delivery. Procedures for deposit of the good faith deposit should be arranged through RSA Advisors, LLC at 859.977-6600.

Respectfully submitted,

Bidder: _____

E-mail Address _____

By _____
Signature

The foregoing is our purchase offer, and we submit our own computations thereof only for your information and convenience:

- (a) Total interest from dated date to final maturity: \$ _____
- (b) Plus, a discount, if any: \$ _____
- (c) Net interest cost (total interest cost plus discount): \$ _____
- (d) True Interest Cost (i.e. T.I.C.) _____%

Accepted on behalf of the County.

LESLIE COUNTY, KENTUCKY

By: _____
William R. Lewis, Judge/Executive
January 12, 2022

**Preliminary, subject to change*