

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

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



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

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

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
LAWRENCE COUNTY OFFICIALS.....	5
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - REGULATORY BASIS.....	8
NOTES TO FINANCIAL STATEMENT.....	12
BUDGETARY COMPARISON SCHEDULES.....	27
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES	35
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	39
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	40
SCHEDULE OF CAPITAL ASSETS.....	43
NOTES TO OTHER INFORMATION - REGULATORY BASIS SCHEDULE OF CAPITAL ASSETS.....	44
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 <i>GOVERNMENT AUDITING STANDARDS</i>	47
REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE	51
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	57
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	

THIS PAGE LEFT BLANK INTENTIONALLY



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

Independent Auditor's Report

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

Report on the Audit of the Financial Statement

Opinions

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances – Regulatory Basis of the Lawrence County Fiscal Court, for the year ended June 30, 2022, and the related notes to the financial statement, which collectively comprise the Lawrence County Fiscal Court's financial statement as listed in the table of contents.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and changes in fund balances – regulatory basis of the Lawrence County Fiscal Court, for the year ended June 30, 2022, in accordance with accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Lawrence County Fiscal Court, for the year ended June 30, 2022, or the changes in financial position and cash flows thereof for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Fiscal Court Audit Guide* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of Lawrence County Fiscal Court and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



To the People of Kentucky
 The Honorable Andy Beshear, Governor
 Holly M. Johnson, Secretary
 Finance and Administration Cabinet
 The Honorable Phillip Carter, Lawrence County Judge/Executive
 Members of the Lawrence 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 Lawrence County Fiscal Court on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statement

Lawrence County Fiscal Court's management is responsible for the preparation and fair presentation of the financial statement in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. This includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Lawrence County Fiscal Court's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lawrence County Fiscal Court's ability to continue as a going concern for a reasonable period of time.

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

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Lawrence County Fiscal Court. The Budgetary Comparison Schedules and the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 12, 2023, on our consideration of the Lawrence County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lawrence 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, Schedule of Findings and Questioned Cost included herein, which discusses the following report findings:

- 2022-001 The Lawrence County Fiscal Court Did Not Accurately Report Debt On The Quarterly Financial Statement
- 2022-002 The Lawrence County Fiscal Court Violated The County Ethics Code
- 2022-003 The Lawrence County Fiscal Court Did Not Establish And Maintain Effective Internal Controls Over Compliance With Coronavirus State and Local Fiscal Recovery Fund (SLFRF) Requirements
- 2022-004 The Lawrence County Fiscal Court Failed To Implement Effective Internal Controls Over Federally Reimbursed Expenditures And Circumvented Internal Controls By Performing A Split Purchase
- 2022-005 The Lawrence County Fiscal Court Did Not Abide By 2 CFR 200.318(c)(1)

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts
Frankfort, Ky

July 12, 2023

LAWRENCE COUNTY OFFICIALS**For The Year Ended June 30, 2022****Fiscal Court Members:**

Phillip L. Carter	County Judge/Executive
Michael Halcomb	Magistrate
Jonathan Scaggs	Magistrate
David Pinson	Magistrate
Rick Blackburn	Magistrate

Other Elected Officials:

Jerry Deerfield	County Attorney
Roger L. Jordan	Jailer
Christopher Jobe	County Clerk
Jodi Parsley	Circuit Court Clerk
Chuck T. Jackson	Sheriff
Christopher Rose	Property Valuation Administrator
Wesley Heston	Coroner

Appointed Personnel:

Josh Puckett	County Treasurer
Michelle Miller	Chief Financial Officer

THIS PAGE LEFT BLANK INTENTIONALLY

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

For The Year Ended June 30, 2022

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

For The Year Ended June 30, 2022

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 1,430,559	\$	\$
In Lieu Tax Payments	180,000		
Excess Fees	170,404		
Licenses and Permits	32,214		
Intergovernmental	554,816	2,075,401	81,346
Charges for Services	10,864	61,285	
Miscellaneous	493,991	1,467,817	17,046
Interest	133	248	7
Total Receipts	<u>2,872,981</u>	<u>3,604,751</u>	<u>98,399</u>
DISBURSEMENTS			
General Government	1,335,038	26,208	
Protection to Persons and Property	283,690		628,421
General Health and Sanitation	132,542		
Social Services	14,870		
Recreation and Culture	533,146		
Roads	208,366	4,287,363	
Debt Service	69,485	676,926	
Capital Projects	179,247		
Administration	885,637	380,936	48,989
Total Disbursements	<u>3,642,021</u>	<u>5,371,433</u>	<u>677,410</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(769,040)</u>	<u>(1,766,682)</u>	<u>(579,011)</u>
Other Adjustments to Cash (Uses)			
Reoffering Premium		210,000	
Financial Obligation Proceeds		1,854,104	
Transfers From Other Funds	1,014,640	550,000	578,000
Transfers To Other Funds	(435,000)	(300,000)	
Total Other Adjustments to Cash (Uses)	<u>579,640</u>	<u>2,314,104</u>	<u>578,000</u>
Net Change in Fund Balance	(189,400)	547,422	(1,011)
Fund Balance - Beginning	<u>400,755</u>	<u>73,026</u>	<u>5,098</u>
Fund Balance - Ending	<u>\$ 211,355</u>	<u>\$ 620,448</u>	<u>\$ 4,087</u>
Composition of Fund Balance			
Bank Balance	\$ 256,397	\$ 1,233,588	\$ 9,649
Plus: Deposits In Transit	998		
Less: Outstanding Checks	(46,040)	(613,140)	(5,562)
Fund Balance - Ending	<u>\$ 211,355</u>	<u>\$ 620,448</u>	<u>\$ 4,087</u>

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

LAWRENCE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2022
(Continued)

Budgeted Funds				
Local Government Economic Assistance Fund	Community Development Block Grant Fund	Forestry Fund	ARPA Fund	E-911 Fund
\$	\$	\$ 5,383	\$	\$ 169,140
617,645			1,487,574	191,767
38		7	446	7
617,683		5,390	1,488,020	360,914
90,092			159,444	
34,978		4,296		266,918
			3,340	
2,000			12,500	
2,093			137,305	
128,267				
5,808			58,314	90,232
263,238		4,296	370,903	357,150
354,445		1,094	1,117,117	3,764
25,000				10,000
(403,000)			(1,039,640)	
(378,000)			(1,039,640)	10,000
(23,555)		1,094	77,477	13,764
67,649		11,839	905,853	28,654
\$ 44,094	\$ 0	\$ 12,933	\$ 983,330	\$ 42,418
\$ 44,094	\$	\$ 12,933	\$ 983,330	\$ 53,249
				(10,831)
\$ 44,094	\$ 0	\$ 12,933	\$ 983,330	\$ 42,418

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

LAWRENCE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2022
(Continued)

	<u>Unbudgeted Fund</u>	
	Public Properties Corporation Fund	Total Funds
RECEIPTS		
Taxes	\$	\$ 1,605,082
In Lieu Tax Payments		180,000
Excess Fees		170,404
Licenses and Permits		32,214
Intergovernmental	988,417	5,996,966
Charges for Services		72,149
Miscellaneous		1,978,854
Interest		886
Total Receipts	<u>988,417</u>	<u>10,036,555</u>
DISBURSEMENTS		
General Government		1,610,782
Protection to Persons and Property		1,218,303
General Health and Sanitation		135,882
Social Services		29,370
Recreation and Culture		672,544
Roads		4,623,996
Debt Service	988,000	1,734,411
Capital Projects		179,247
Administration		1,469,916
Total Disbursements	<u>988,000</u>	<u>11,674,451</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>417</u>	<u>(1,637,896)</u>
Other Adjustments to Cash (Uses)		
Reoffering Premium		210,000
Financial Obligation Proceeds		1,854,104
Transfers From Other Funds		2,177,640
Transfers To Other Funds		(2,177,640)
Total Other Adjustments to Cash (Uses)		<u>2,064,104</u>
Net Change in Fund Balance	417	426,208
Fund Balance - Beginning	<u>574,052</u>	<u>2,066,926</u>
Fund Balance - Ending	<u>\$ 574,469</u>	<u>\$ 2,493,134</u>
Composition of Fund Balance		
Bank Balance	\$ 574,469	\$ 3,167,709
Plus: Deposits In Transit		998
Less: Outstanding Checks		(675,573)
Fund Balance - Ending	<u>\$ 574,469</u>	<u>\$ 2,493,134</u>

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

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENT**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	12
NOTE 2.	DEPOSITS	15
NOTE 3.	TRANSFERS.....	15
NOTE 4.	LEASES	15
NOTE 5.	SHORT-TERM DEBT	17
NOTE 6.	LONG-TERM DEBT	18
NOTE 7.	EMPLOYEE RETIREMENT SYSTEM	21
NOTE 8.	DEFERRED COMPENSATION.....	23
NOTE 9.	INSURANCE.....	23
NOTE 10.	CONDUIT DEBT	24
NOTE 11.	COMMITMENTS AND CONTINGENCIES.....	24
NOTE 12.	RELATED PARTY TRANSACTIONS	24

**LAWRENCE COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2022

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Basis of Accounting

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

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

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal 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.

Community Development Block Grant Fund - The primary purpose of this fund is to account for receipts and disbursements related to community development funds.

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

ARPA Fund - The primary purpose of this fund is to account for the receipts and disbursements of the American Rescue Plan Act funds. The primary source of receipts is from federal grants.

E-911 Fund - The primary purpose of this fund is to account for emergency service expenses for residents of the county. The primary source of receipts is taxes on telephone services.

Unbudgeted Funds

The fiscal court reports the following unbudgeted fund:

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

D. Budgetary Information

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

E. Lawrence County Elected Officials

Kentucky law provides for election of the officials listed below from the geographic area constituting Lawrence 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 Lawrence County Fiscal Court.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

F. Deposits and Investments

The government's fund balance is considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition. The government's fund balance includes cash and cash equivalents and investments.

KRS 66.480 authorizes the county to invest in obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

G. Long-term Obligations

The fund financial statement recognizes bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as disbursements. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as disbursements. Debt proceeds are reported as other adjustments to cash.

H. Joint Ventures

A jointly governed organization is an entity that results from a multi-governmental arrangement that is governed by representatives from each participating government. The entity provides services to the citizens of each participating government, but there is not ongoing financial interest or responsibility by the participating governments. The Northeast Kentucky Regional Industrial Park Authority meets the criteria noted above and is disclosed as an organization jointly governed by the Kentucky counties of Boyd, Carter, Elliott, Greenup, and Lawrence.

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

Note 2. Deposits

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of the DLG *County Budget Preparation and State Local Finance Officer Policy Manual*. As of June 30, 2022, 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 2022.

	General Fund	Road Fund	LGEA Fund	ARPA Fund	Total Transfers In
General Fund	\$	\$ 300,000	\$	\$ 714,640	\$ 1,014,640
Road Fund	300,000			250,000	550,000
Jail Fund	135,000		403,000	40,000	578,000
LGEA Fund				25,000	25,000
E-911 Fund				10,000	10,000
Total Transfers Out	<u>\$ 435,000</u>	<u>\$ 300,000</u>	<u>\$ 403,000</u>	<u>\$ 1,039,640</u>	<u>\$ 2,177,640</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. Leases

A. Lessor

- During the fiscal year ending June 30, 2012, the Lawrence County Fiscal Court entered into a lease agreement for a church building. The lease is for 15 years and the fiscal court will receive monthly payments of \$600. The Lawrence County Fiscal Court recognized \$7,200 in lease revenue during the current fiscal year related to this lease. As of June 30, 2022, the Lawrence County Fiscal Court's receivable for this lease payment was \$28,800.

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

Note 4. Leases (Continued)

A. Lessor (Continued)

2. During the fiscal year ending June 30, 2006, the Lawrence County Fiscal Court began leasing office space in the community building to the Commonwealth of Kentucky. The lease is for 20 years and the fiscal court will receive quarterly payments of \$30,918. The Lawrence County Fiscal Court recognized \$123,671 in lease revenue during the current fiscal year related to this lease. As of June 30, 2022, the Lawrence County Fiscal Court's receivable for this lease payment was \$401,931.
3. During the fiscal year ending June 30, 2011, the Lawrence County Fiscal Court began leasing office space in the industrial park to Right Way Laundry. The lease is for 15 years and the fiscal court will receive monthly payments of \$1,500. The Lawrence County Fiscal Court recognized \$18,000 in lease revenue during the current fiscal year related to this lease. As of June 30, 2022, the Lawrence County Fiscal Court's receivable for this lease payment was \$55,500.
4. During the fiscal year ending June 30, 2018, the Lawrence County Fiscal Court began leasing office space in the industrial park to No Limits Fitness. The lease is for 10 years and the fiscal court will receive monthly payments of \$2,400. The Lawrence County Fiscal Court recognized \$28,800 in lease revenue during the current fiscal year related to this lease. As of June 30, 2022, the Lawrence County Fiscal Court's receivable for this lease payment was \$156,000.
5. During the fiscal year ending June 30, 2011, the Lawrence County Fiscal Court began leasing office space in the community building to Northeast Area Development. The lease is for 2 years and the fiscal court will receive a yearly payment of \$7,200. The Lawrence County Fiscal Court recognized \$7,200 in lease revenue during the current fiscal year related to this lease. As of June 30, 2022, the Lawrence County Fiscal Court's receivable for lease payments was \$14,400.
6. During the fiscal year ending June 30, 2021, the Lawrence County Fiscal Court began leasing office space in the community building to the University of Kentucky. The lease was for 2 years and the Lawrence County Fiscal Court has received quarterly payments of \$900. The Lawrence County Fiscal Court recognized \$3,600 in lease revenue during the current fiscal year related to this lease. As of June 30, 2022, the Lawrence County Fiscal Court's receivable for this lease payment was \$0.
7. During the fiscal year ending June 30, 2013, the Lawrence County Fiscal Court began leasing office space in the community building to Northeast Community Action. The lease was originally for 2 years, but continues to be extended and the Lawrence County Fiscal Court will receive quarterly payments of \$966. The Lawrence County Fiscal Court recognized \$3,964 in lease revenue during the current fiscal year related to this lease. As of June 30, 2022, the Lawrence County Fiscal Court's receivable for this lease payment was \$6,762.

B. Lessee

1. During the fiscal year ending June 30, 2020, the Lawrence County Fiscal Court entered into a three-year lease agreement as lessee for a copier for the judge's office. An initial lease liability was recorded in the amount of \$4,680 for the full term of this lease. The fiscal court made monthly payments during the current fiscal year totaling \$1,560. As of June 30, 2022, the value of the lease liability was \$390.

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

Note 5. Short-Term Debt

1. KACoLT Drawdown Lease

On May 18, 2020, the Lawrence County Fiscal Court entered into an annually renewable drawdown lease agreement, in an amount not to exceed \$250,000, with the Kentucky Association of Counties Leasing Trust (KACoLT) for road projects. The total amount of the lease was \$500,000. Funds totaling \$250,000 were drawn down and repaid in fiscal year ending June 30, 2021. An additional \$250,000 was drawn down on January 20, 2022. In the event of default, the lessor may terminate the lease term and give notice to the lessee to vacate or surrender the project within 60 days from the date of such notice. The principal outstanding as of June 30, 2022 was \$250,000.

2. Dozer

On November 23, 2021, the Lawrence County Fiscal Court entered into a lease agreement in the amount of \$67,417 with Amber Lea Contractors, LLC for a dozer. In the event of default, the lessor may terminate the lease term and give notice to the lessee to vacate or surrender the project within 60 days from the date of such notice. The lease agreement requires monthly payments for one year. The principal outstanding as of June 30, 2022 was \$19,054.

3. Changes in Short-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Financing Obligations	\$	\$ 314,104	\$ 45,050	\$ 269,054	\$ 269,054
Total Short-term Debt	\$ 0	\$ 314,104	\$ 45,050	\$ 269,054	\$ 269,054

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

Note 6. Long-term Debt

A. Direct Borrowings

1. Community Center

On August 28, 2013, the Lawrence County Fiscal Court entered into a financing agreement that refinanced the Kentucky Area Development District Lease, dated December 5, 2002, used to construct a community center. The principal amount of the agreement was \$621,123. In the event of default, the lessor may sell or lease the project or sublease it for the account of lessee. The agreement requires payments on December 1 and June 1 of each year, starting December 1, 2013, to be paid in full December 1, 2022. The principal outstanding as of June 30, 2022 was \$69,898. Future principal and interest requirements are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2023	\$ 69,898	\$ 961
Totals	<u>\$ 69,898</u>	<u>\$ 961</u>

2. KACoLT Truck Lease #7

On April 15, 2021, the Lawrence County Fiscal Court entered into a lease agreement in the amount of \$412,102 with the Kentucky Association of Counties Leasing Trust (KACoLT) for the purchase of a truck. In the event of default, the lessor may terminate the lease term and give notice to the lessee to vacate or surrender the project within 60 days from the date of such notice. The lease agreement requires monthly interest payments and one principal payment on October 20, 2022. On June 29, 2022 the lease agreement was paid in full.

3. KACoLT Truck Lease #8

On April 18, 2018, the Lawrence County Fiscal Court entered into a lease agreement in the amount of \$145,422 with the Kentucky Association of Counties Leasing Trust (KACoLT) for the purchase of a truck. In the event of default, the lessor may terminate the lease term and give notice to the lessee to vacate or surrender the project within 60 days from the date of such notice. The lease agreement requires monthly interest payments and one principal payment on November 20, 2022. On June 29, 2022 the lease agreement was paid in full.

4. Ice Storm

On March 3, 2022, the Lawrence County Fiscal Court entered into a lease agreement in the amount of \$1,540,000 with the Kentucky Association of Counties Finance Corporation to repair damages that the county sustained during an ice storm. In the event of default, the lessor may place a levy on all taxable property in the lessee, in addition to all other taxes, without limitation as to the rate or amount, a direct tax annually in an amount sufficient to pay the lease rental payments. The agreement requires monthly payments, starting March 20, 2022, with payment in full June 30, 2037. The principal outstanding as of June 30, 2022 was \$1,518,000. Future principal and interest requirements are as follows:

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

Note 6. Long-term Debt (Continued)

A. Direct Borrowings (Continued)

4. Ice Storm (Continued)

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2023	\$ 70,500	\$ 75,056
2024	77,500	68,409
2025	82,500	64,534
2026	85,000	60,409
2027	87,500	56,159
2028-2032	525,000	209,670
2033-2037	590,000	78,403
Totals	<u>\$ 1,518,000</u>	<u>\$ 612,640</u>

B. Other Debt

1. Revenue Bonds, Series 2011

On June 9, 2011, the Lawrence County Public Properties Corporation issued \$18,135,000 in bonds to build a new justice center. The Public Properties Corporation and the Administrative Office of the Courts (AOC) entered into a lease agreement for the purpose of obtaining office rental space for AOC. The premises leased by AOC will provide revenues to pay the bond principal and interest. Under the terms of the lease, the AOC has agreed to pay use allowance payments, equal to the amount of principal and interest due, directly to the paying agents' bank. The lease agreement is renewable each year. The fiscal court and the Public Properties Corporation are in reliance upon the use allowance payment in order to meet the debt service requirements of the bonds. In the event of default, the lessor may foreclose on the liens created by this mortgage and sell the property.

The AOC, with the execution of the lease, has expressed its intention to continue to pay the full use allowance payment in each successive biennial budget period until May 1, 2030, but the lease does not legally obligate AOC to do so. As of June 30, 2022, the remaining balance was refinanced and paid in full.

On February 5, 2021, the Lawrence County Public Properties Corporation issued \$9,416,000 in bonds to build a new Justice Center. The Public Properties Corporation and the Administrative Office of the Courts (AOC) entered into a lease agreement for the purpose of obtaining office rental space for AOC.

The premises leased by AOC will provide revenues to pay the bond principal and interest. Under the terms of the lease, the AOC has agreed to pay use allowance payments, equal to the amount of principal and interest due, directly to the paying agents' bank. The lease agreement is renewable each year. The fiscal court and the Public Properties Corporation are in reliance upon the use allowance payment in order to meet the debt service requirements of the bonds. In the event of default, the lessor may foreclose on the liens created by this mortgage and sell the property.

The AOC, with the execution of the lease, has expressed its intention to continue to pay the full use allowance payment in each successive biennial budget period until May 1, 2030, but the lease does not legally obligate AOC to do so. As of June 30, 2022, the principal balance remaining was \$9,272,300. Future bond payments are as follows:

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

Note 6. Long-term Debt (Continued)

B. Other Debt (Continued)

1. Revenue Bonds, Series 2011 (Continued)

Fiscal Year Ending June 30	Principal	Scheduled Interest
2023	\$ 605,300	\$ 226,038
2024	1,148,000	202,325
2025	1,175,000	173,288
2026	1,207,000	143,513
2027	1,238,000	112,950
2028-2032	3,899,000	147,911
Totals	<u>\$ 9,272,300</u>	<u>\$ 1,006,025</u>

C. Changes In Long-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 694,068	\$ 1,540,000	\$ 646,080	\$ 1,587,898	\$ 140,398
Other Debt	10,366,000		1,093,700	9,272,300	605,300
Total Long-term Debt	<u>\$ 11,060,068</u>	<u>\$ 1,540,000</u>	<u>\$ 1,739,780</u>	<u>\$ 10,860,198</u>	<u>\$ 745,698</u>

D. Aggregate Debt Schedule

The amount of required principal and interest payments on long-term obligations at June 30, 2022, were as follows:

Fiscal Year Ended June 30	Other Debt		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2023	\$ 605,300	\$ 226,038	\$ 140,398	76,017
2024	1,148,000	202,325	77,500	68,409
2025	1,175,000	173,288	82,500	64,534
2026	1,207,000	143,513	85,000	60,409
2027	1,238,000	112,950	87,500	56,159
2028-2032	3,899,000	147,911	525,000	209,670
2033-2037			590,000	78,403
Totals	<u>\$ 9,272,300</u>	<u>\$ 1,006,024</u>	<u>\$ 1,587,898</u>	<u>\$ 613,601</u>

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

Note 7. 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 (Ky. Ret. Sys.). This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Effective April 1, 2021, the Kentucky Public Pension Authority (KPPA) was created by KRS 61.505 to provide staffing and daily administrative needs for CERS and Ky. Ret. Sys. The CERS nine (9) member board of trustees is responsible for the governance of the CERS pension and insurance plans.

The county's contribution for FY 2020 was \$502,364, FY 2021 was \$589,641, and FY 2022 was \$728,493.

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 Ky. Ret. Sys. 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 Ky. Ret. Sys. 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 24.06 percent.

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:

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

Note 7. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) Continued)

A. Health Insurance Coverage - Tier 1

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

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

Benefits are covered under KRS 78.5536.

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

Once members reach a minimum vesting period of 15 years, 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 78.5536. Tier 3 members are not covered by the same provisions.

C. Cost of Living Adjustments - Tier 1

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of Ky. Ret. Sys. benefits. During the 2008 Special Session, the General Assembly determined that each July beginning in 2009, retirees who have been receiving a retirement allowance for at least 12 months will receive an automatic COLA of 1.5 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.

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

Note 7. Employee Retirement System (Continued)

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

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

E. Death Benefit

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

Ky. Ret. Sys. Annual Financial Report and Proportionate Share Audit Report

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

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

Note 8. Deferred Compensation

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

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

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

Note 9. Insurance

For the fiscal year ended June 30, 2022, the Lawrence 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.

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

Note 10. Conduit Debt

From time to time, the county has issued bonds to provide financial assistance to various entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest, in accordance with KRS 103.210. This debt may take the form of certain types of limited-obligation revenue bonds, certificates of participation, or similar debt instruments. Although conduit debt obligations bear the Lawrence County Fiscal Court's name as issuer, the fiscal court has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf it is issued. Neither the fiscal court nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statement. As of June 30, 2022, conduit debt has been issued but the amount currently outstanding is not reasonably determinable.

Note 11. Commitments and Contingencies

The county is involved in multiple lawsuits. While individually they may not be significant, in the aggregate they could negatively impact the county's financial position. Due to the uncertainty of the litigation, a reasonable estimate of the financial impact on the county cannot be made at this time.

Note 12. Related Party Transactions

- A. The Lawrence County Fiscal Court utilized an equipment vendor for whom the county judge/executive's son-in-law works. This vendor provided equipment rentals to the county in the amount of \$30,000 which was charged to the county's Coronavirus State and Local Fiscal Recovery Fund grant. The company also performed disaster relief work in the amount of \$78,961 that was charged to the county's FEMA grant. Additionally, the fiscal court also executed a lease purchase of a dozer with this vendor and the fiscal court paid the vendor \$48,206 for lease payments. The total paid to this vendor for fiscal year ending June 30, 2022 was \$156,987.
- B. The county judge/executive sold a boat motor to the county in the amount of \$1,500.

LAWRENCE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2022

THIS PAGE LEFT BLANK INTENTIONALLY

LAWRENCE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2022

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,321,000	\$ 1,430,651	\$ 1,430,559	\$ (92)
In Lieu Tax Payments	234,200	234,200	180,000	(54,200)
Excess Fees	34,650	170,404	170,404	
Licenses and Permits	32,981	32,981	32,214	(767)
Intergovernmental	515,380	642,973	554,816	(88,157)
Charges for Services	19,243	20,316	10,864	(9,452)
Miscellaneous	425,325	466,678	493,991	27,313
Interest	280	280	133	(147)
Total Receipts	2,583,059	2,998,483	2,872,981	(125,502)
DISBURSEMENTS				
General Government	1,254,751	1,471,648	1,335,038	136,610
Protection to Persons and Property	174,348	296,802	283,690	13,112
General Health and Sanitation	114,313	149,445	132,542	16,903
Social Services	8,650	19,550	14,870	4,680
Recreation and Culture	256,900	551,925	533,146	18,779
Roads	50,000	218,560	208,366	10,194
Debt Service	69,485	69,485	69,485	
Capital Projects	110,000	265,121	179,247	85,874
Administration	789,941	1,275,982	885,637	390,345
Total Disbursements	2,828,388	4,318,518	3,642,021	676,497
Excess (Deficiency) of Receipts Over				
Adjustments to Cash (Uses)	(245,329)	(1,320,035)	(769,040)	550,995
Other Adjustments to Cash (Uses)				
Transfers From Other Funds		339,640	1,014,640	675,000
Transfers To Other Funds	(70,000)	(70,000)	(435,000)	(365,000)
Total Other Adjustments to Cash (Uses)	(70,000)	269,640	579,640	310,000
Net Change in Fund Balance	(315,329)	(1,050,395)	(189,400)	860,995
Fund Balance - Beginning	315,329	400,755	400,755	
Fund Balance - Ending	\$ 0	\$ (649,640)	\$ 211,355	\$ 860,995

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

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 3,209,357	\$ 3,278,557	\$ 2,075,401	\$ (1,203,156)
Charges for Services	35,478	54,005	61,285	7,280
Miscellaneous	584,053	1,299,849	1,467,817	167,968
Interest	201	203	248	45
Total Receipts	<u>3,829,089</u>	<u>4,632,614</u>	<u>3,604,751</u>	<u>(1,027,863)</u>
DISBURSEMENTS				
General Government	34,923	34,953	26,208	8,745
Roads	3,479,189	6,393,377	4,287,363	2,106,014
Debt Service	571,574	681,886	676,926	4,960
Administration	330,927	402,947	380,936	22,011
Total Disbursements	<u>4,416,613</u>	<u>7,513,163</u>	<u>5,371,433</u>	<u>2,141,730</u>
Excess (Deficiency) of Receipts Over Adjustments to Cash (Uses)	<u>(587,524)</u>	<u>(2,880,549)</u>	<u>(1,766,682)</u>	<u>1,113,867</u>
Other Adjustments to Cash (Uses)				
Reoffering Premium			210,000	210,000
Financial Obligation Proceeds	557,524	2,557,524	1,854,104	(703,420)
Transfers From Other Funds			550,000	550,000
Transfers To Other Funds			(300,000)	(300,000)
Total Other Adjustments to Cash (Uses)	<u>557,524</u>	<u>2,557,524</u>	<u>2,314,104</u>	<u>(243,420)</u>
Net Change in Fund Balance	(30,000)	(323,025)	547,422	870,447
Fund Balance - Beginning	<u>30,000</u>	<u>73,025</u>	<u>73,026</u>	<u>0</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (250,000)</u>	<u>\$ 620,448</u>	<u>\$ 870,447</u>

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

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 80,750	\$ 80,965	\$ 81,346	\$ 381
Miscellaneous	11,925	16,031	17,046	1,015
Interest	14	14	7	(7)
Total Receipts	92,689	97,010	98,399	1,389
DISBURSEMENTS				
Protection to Persons and Property	410,456	630,456	628,421	2,035
Administration	49,788	49,652	48,989	663
Total Disbursements	460,244	680,108	677,410	2,698
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(367,555)	(583,098)	(579,011)	4,087
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	365,000	365,000	578,000	213,000
Total Other Adjustments to Cash (Uses)	365,000	365,000	578,000	213,000
Net Change in Fund Balance	(2,555)	(218,098)	(1,011)	217,087
Fund Balance - Beginning	2,555	5,098	5,098	
Fund Balance - Ending	\$ 0	\$ (213,000)	\$ 4,087	\$ 217,087

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

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 598,666	\$ 746,464	\$ 617,645	\$ (128,819)
Miscellaneous	50	50		(50)
Interest	188	188	38	(150)
Total Receipts	598,904	746,702	617,683	(129,019)
DISBURSEMENTS				
General Government	60,145	90,377	90,092	285
Protection to Persons and Property	21,000	62,918	34,978	27,940
General Health and Sanitation	500	500		500
Social Services	2,000	2,000	2,000	
Recreation and Culture	25,000	25,000	2,093	22,907
Roads	209,477	188,477	128,267	60,210
Capital Projects	3,000	3,000		3,000
Administration	7,782	64,080	5,808	58,272
Total Disbursements	328,904	436,352	263,238	173,114
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	270,000	310,350	354,445	44,095
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			25,000	25,000
Transfers To Other Funds	(295,000)	(295,000)	(403,000)	(108,000)
Total Other Adjustments to Cash (Uses)	(295,000)	(295,000)	(378,000)	(83,000)
Net Change in Fund Balance	(25,000)	15,350	(23,555)	(38,905)
Fund Balance - Beginning	25,000	67,649	67,649	
Fund Balance - Ending	\$ 0	\$ 83,000	\$ 44,094	\$ (38,905)

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

CDBG FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 454,545	\$ 454,545	\$	\$ (454,545)
Total Receipts	454,545	454,545		(454,545)
DISBURSEMENTS				
General Government	454,545	454,545		454,545
Total Disbursements	454,545	454,545		454,545
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)				
Net Change in Fund Balance				
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 0	\$ 0

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

FORESTRY FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 5,000	\$ 5,335	\$ 5,383	\$ 48
Intergovernmental	5	5		(5)
Interest	7	7	7	
Total Receipts	5,012	5,347	5,390	43
DISBURSEMENTS				
Protection to Persons and Property	16,724	17,186	4,296	12,890
Total Disbursements	16,724	17,186	4,296	12,890
Excess (Deficiency) of Receipts Over Adjustments to Cash (Uses)	(11,712)	(11,839)	1,094	12,933
Net Change in Fund Balance	(11,712)	(11,839)	1,094	12,933
Fund Balance - Beginning	11,712	11,839	11,839	
Fund Balance - Ending	\$ 0	\$ 0	\$ 12,933	\$ 12,933

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

	ARPA FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 800,000	\$ 1,487,574	\$ 1,487,574	\$
Interest	100	336	446	110
Total Receipts	800,100	1,487,910	1,488,020	110
DISBURSEMENTS				
General Government		159,491	159,444	47
General Health and Sanitation		4,000	3,340	660
Social Services		12,500	12,500	
Recreation and Culture		140,136	137,305	2,831
Administration	1,100,100	698,355	58,314	640,041
Total Disbursements	1,100,100	1,014,482	370,903	643,579
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(300,000)	473,427	1,117,117	643,690
Other Adjustments to Cash (Uses)				
Transfers To Other Funds		(339,640)	(1,039,640)	(700,000)
Total Other Adjustments to Cash (Uses)		(339,640)	(1,039,640)	(700,000)
Net Change in Fund Balance	(300,000)	133,787	77,477	(56,310)
Fund Balance - Beginning	300,000	905,853	905,853	
Fund Balance - Ending	\$ 0	\$ 1,039,640	\$ 983,330	\$ (56,310)

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

E-911 FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 161,820	\$ 161,820	\$ 169,140	\$ 7,320
Intergovernmental	173,495	173,573	191,767	18,194
Interest	6	6	7	1
Total Receipts	335,321	335,399	360,914	25,515
DISBURSEMENTS				
Protection to Persons and Property	249,796	278,409	266,918	11,491
Administration	91,525	95,644	90,232	5,412
Total Disbursements	341,321	374,053	357,150	16,903
Excess (Deficiency) of Receipts Over Adjustments to Cash (Uses)	(6,000)	(38,654)	3,764	42,418
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			10,000	10,000
Total Other Adjustments to Cash (Uses)			10,000	10,000
Net Change in Fund Balance	(6,000)	(38,654)	13,764	52,418
Fund Balance - Beginning	6,000	28,654	28,654	
Fund Balance - Ending	\$ 0	\$ (10,000)	\$ 42,418	\$ 52,418

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

June 30, 2022

Note 1. Budgetary Information

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

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

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

THIS PAGE LEFT BLANK INTENTIONALLY

LAWRENCE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2022

THIS PAGE LEFT BLANK INTENTIONALLY

LAWRENCE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity's Identifying Number	Provided to Subrecipient	Total Federal Expenditures
<u>U. S. Department of Treasury</u>				
<i>Direct Program:</i>				
COVID-19 - Coronavirus State and Local Recovery Funds	21.027	N/A	\$	\$ 1,410,542
COVID 19 - Coronavirus Relief Funds	21.019	N/A		1,020
Total U.S. Department of Treasury			<u>\$</u>	<u>\$ 1,411,562</u>
<u>U. S. Department of USDA - Natural Resources</u>				
<i>Direct Program:</i>				
Emergency Watershed Protection Program- Blaine Creek	10.923	NR205C16XXXXC003	\$	\$ 730,720
Total U.S. Department of USDA - Natural Resources			<u>\$</u>	<u>730,720</u>
<u>U. S. Department of Homeland Security</u>				
<i>Passed-Through Kentucky Department of Military Affairs:</i>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4540RKYP00000001	\$	\$ 82,829
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4592DRKY00000001		1,091,420
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4595DRKY00000001		4,315
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4595DRKY00000001		16,000
Emergency Management Performance Grants	97.042	N/A		4,491
Homeland Security Grant Program CAD E-911 Consoles	97.067	21-119		105,000
Homeland Security Grant Program CAD E-911 Radio	97.067	20-084		94,265
Total U.S. Department of Federal Emergency Management			<u>\$</u>	<u>1,398,320</u>
Total Expenditures of Federal Awards			<u>\$</u>	<u>\$ 3,540,602</u>

The accompanying notes are an integral part of this schedule.

LAWRENCE COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2022

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Lawrence County, Kentucky under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Lawrence County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Lawrence County, Kentucky.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rate

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

LAWRENCE COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2022

THIS PAGE LEFT BLANK INTENTIONALLY

LAWRENCE COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2022

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 2,839,001	\$	\$	\$ 2,839,001
Buildings	22,922,509	32,000		22,954,509
Vehicles and Equipment	2,829,285	769,324	218,783	3,379,826
Other Equipment	200,588			200,588
Infrastructure	26,578,064	365,669		26,943,733
	<u>\$ 55,369,447</u>	<u>\$ 1,166,993</u>	<u>\$ 218,783</u>	<u>\$ 56,317,657</u>
Total Capital Assets				

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

June 30, 2022

Note 1. Capital Assets

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

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-5
Infrastructure	\$ 20,000	10-50

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

THIS PAGE LEFT BLANK INTENTIONALLY



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

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

Independent Auditor's Report

The Honorable Phillip Carter, Lawrence County Judge/Executive
Members of the Lawrence County Fiscal Court

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Lawrence County Fiscal Court for the fiscal year ended June 30, 2022, and the related notes to the financial statement which collectively comprise the Lawrence County Fiscal Court's financial statement and have issued our report thereon dated July 12, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Lawrence County Fiscal Court's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Lawrence County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lawrence 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 have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 Questioned Costs as items 2022-001 and 2022-002 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)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Lawrence County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2022-001.

Views of Responsible Officials and Planned Corrective Action

Lawrence County's views and planned corrective action for the findings identified in our audit are included in the accompanying Schedule of Findings and Questioned Costs. 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,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts
Frankfort, Ky

July 12, 2023

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

THIS PAGE LEFT BLANK INTENTIONALLY



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

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

Independent Auditor's Report

The Honorable Phillip Carter, Lawrence County Judge/Executive
Members of the Lawrence County Fiscal Court

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Lawrence County Fiscal Court's compliance with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Lawrence County Fiscal Court's major federal programs for the year ended June 30, 2022. The Lawrence County Fiscal Court's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Qualified Opinion on ALN# 21.027 COVID-19 - Coronavirus State and Local Fiscal Recovery Funds

In our opinion, except for the noncompliances described in the Basis for Qualified and Unmodified Opinions section of our report, Lawrence County Fiscal Court complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on ALN# 21.027 *COVID-19 - Coronavirus State and Local Fiscal Recovery Funds* for the year ended June 30, 2022.

Qualified Opinion on ALN# 97.036 Disaster Grants- Public Assistance (Presidentially Declared Disasters)

In our opinion, except for the noncompliances described in the Basis for Qualified and Unmodified Opinions section of our report, Lawrence County Fiscal Court complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on ALN# 97.036 *Disaster Grants- Public Assistance (Presidentially Declared Disasters)* for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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



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

Basis for Opinion on Each Major Federal Program (Continued)

We are required to be independent of Lawrence County Fiscal Court and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Lawrence County Fiscal Court's compliance with the compliance requirements referred to above.

Matters Giving Rise to Qualified Opinion on ALN# 21.027 COVID-19 - Coronavirus State and Local Fiscal Recovery Funds

As described in the accompanying Schedule of Findings and Questioned Costs, Lawrence County did not comply with requirements regarding Assistance Listing Number 21.027 COVID-19 - Coronavirus State and Local Fiscal Recovery Funds as described in finding numbers 2022-003, 2022-004, and 2022-005.

Compliance with such requirements is necessary, in our opinion, for Lawrence County Fiscal Court to comply with the requirements applicable to that program.

Matters Giving Rise to Qualified Opinion on Disaster Grants- Public Assistance (Presidentially Declared Disasters)

As described in the accompanying schedule of findings and questioned costs, Lawrence County did not comply with requirements regarding Assistance Listing Number 97.036 Disaster Grants- Public Assistance (Presidentially Declared Disasters) as described in finding number 2022-005.

Compliance with such requirements is necessary, in our opinion, for Lawrence County Fiscal Court to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

Auditor's Responsibilities for the Audit of Compliance (Continued)

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Lawrence County Fiscal Court's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Lawrence County Fiscal Court's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Lawrence County Fiscal Court's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned costs as items 2022-004 and 2022-005 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned costs as 2022-003 to be a significant deficiency.

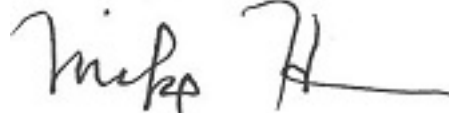
Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With The Uniform Guidance
(Continued)

Report on Internal Control over Compliance (Continued)

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. *Government Auditing Standards* requires the auditor to perform limited procedures on Lawrence County Fiscal Court's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned costs. Lawrence County Fiscal Court's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Mike H", with a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts
Frankfort, Ky

July 12, 2023

**LAWRENCE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For The Year Ended June 30, 2022

THIS PAGE LEFT BLANK INTENTIONALLY

**LAWRENCE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For The Year Ended June 30, 2022

Section I: Summary of Auditor's Results

Financial Statement

Type of report the auditor issued on whether the financial statement audited was prepared in accordance with GAAP:
Adverse on GAAP and Unmodified on Regulatory Basis

Internal control over financial reporting:

Are any material weaknesses identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are any significant deficiencies identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Are any noncompliances material to financial statements noted?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Federal Awards

Internal control over major programs:

Are any material weaknesses identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are any significant deficiencies identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None Reported
Type of auditor's report issued on compliance for major federal programs: Qualified		
Are any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)

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

LAWRENCE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022
(Continued)

Section II: Financial Statement Findings

2022-001 The Lawrence County Fiscal Court Did Not Accurately Report Debt On The Quarterly Financial Statement

The debt schedule presented with the fourth quarter report (which serves as the year-end financial statement) inaccurately reported debt obligations. The report did not account for the balance of the KACoLT – FEMA lease in the amount of \$250,000 or the Justice Center Corporation Refinance, Series 2021, bond issues in the amount of \$9,272,300. In addition to this issue, the fiscal court did not reflect \$64,104 on their financial statement for their short-term debt.

The fiscal court does not have controls in place to ensure that debt obligations are properly reported on the fourth quarter report. By not accurately reporting debt, the county is not in compliance with KRS 68.210. In addition, the fiscal court does not have accurate information on which to base financial decisions.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The uniform system of accounts is set forth in the *County Budget Preparation and State Local Finance Officer Policy Manual*, which requires all county debt be reflected properly on the quarterly financial statement.

We recommend the county ensure that the correct amounts are shown on all financial statements presented to the public and the Department for Local Government. We further recommend the county review all aspects of the quarterly reports before signing and submitting.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: This debt was paid off and loan was re-issued during new budget preparation. This was an oversight and has been corrected. We have hired additional help to keep up with the workload. The Assistant Judge or Administrative Assistant will review the reports before signing and submitting.

2022-002 The Lawrence County Fiscal Court Violated The County Ethics Code

The Lawrence County Fiscal Court violated the county ethics code by engaging in multiple transactions with parties who are related to the county judge/executive, which is a violation of the county's adopted ethics code. A lack of internal controls allowed for the approval and employment of the county judge/executive's brother as the county road foreman, the utilization of a vendor for various projects where the county judge executive's son-in-law is an officer of the entity, and the sale of a personal item by the county judge to the fiscal court. The county judge/executive failed to recuse himself from voting on transactions that involved related party issues in all fiscal court meetings for fiscal year 2022. Neither the hiring of the brother nor the payments to a vendor for whom the son-in-law is an officer were submitted to the county's ethics commission as required by the county code of ethics. The total paid per each instance of related party transactions in fiscal year 2022 are as follows:

- Road Foreman - \$ 62,108
- Related Party Vendor - \$156,987
- County Judge/Executive - \$1,500

The fiscal court was unaware of the requirements outlined within the county ethics code. Furthermore, the county judge/executive was unaware of the requirement to abstain from voting on all transactions involving related parties. The county is currently in violation of the standards of conduct nepotism clause specified in the county ethics code. This raises concerns that the fiscal court might be showing favoritism towards related parties without implementing appropriate procedures and safeguards. These transactions also violate federal grant requirements. See finding 2022-005.

**LAWRENCE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022
(Continued)**

Section II: Financial Statement Findings (Continued)

2022-002 The Lawrence County Fiscal Court Violated The County Ethics Code (Continued)

Implementing internal controls ensures the prevention of conflicts of interest and violations of the county ethics code.

The Lawrence County Ethics Code defines "Member of Immediate family" as a "County Government Official's spouse, father, mother grandfather, grandmother, children and spouses, brothers and sisters and spouses, aunts, uncles, brothers-in-law and sisters-in-law, nieces and nephews, or any other person claimed by the individual or individual's spouse as a dependent for Kentucky income tax purposes."

Further, the County Ethics Code, Section II Standards of Conduct provides in pertinent part:

- A.** No county government officer or employees of member of his immediately family shall have an interest in a business organization or engage in any business, transaction, or professional activity, which is in substantial conflict with the proper discharge of his duties in the public interest.
- B.** No county government officer or employee shall use or attempt to use his official position to secure unwarranted privileges or advantages for himself or others.
- C.** No county government officer or employee shall act in his official capacity in any manner where he, a member of his immediate family, or a business organization in which he has an interest, has a direct or indirect financial or personal involvement that might reasonably be expected to impair his objectivity or independence of judgment.

Additionally, Section IV of the County Ethics Code states, "[a]fter the effective date of this ordinance, no immediate family member of a County Government Official, as defined in Section 1, paragraph F hereof, shall be employed within Lawrence County by county government or county agencies, except under the following conditions:

1. An Immediate family member of a County Government Official shall not be initially employed or appointed to a position in county government or in a county governmental agency within the same county in which the officer serves unless the spouse or family member is the best qualified, by education and/or experience, to fill such position.
2. In any situation in which a County Government Official desires to employ or appoint an immediate family member (or an immediate family member of another County Government Official) to a position in county government or in a county governmental agency, the Ethics Commission shall make the determination as to whether such family member is best qualified for filling such position, by reviewing the employment applications of all applicants and conducting interviews, if the Commission so desires. Thereafter, the Ethics Commission shall select the most qualified person for the position."

We recommend the fiscal court adhere to the requirements outlined in the county ethics code by refraining from hiring or engaging vendors who are related parties. If the fiscal court does choose to involve related parties, then the ethics commissions should thoroughly review and assess these transactions to ensure transparency and ethical compliance. This finding will be referred to the Lawrence County Ethics Commission.

LAWRENCE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022
(Continued)

Section II: Financial Statement Findings (Continued)

2022-002 The Lawrence County Fiscal Court Violated The County Ethics Code (Continued)

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The Fiscal Court hired the County Judge's brother as road foreman because he was the only person who met the requirements for the position and would accept the job, other people were offered the job before the brother, in addition the brother also served in the same position under a previous administration and left on good terms. At the time of the Fiscal Court acceptance of bids from the vendor, the son-in-law of the Judge Executive was not listed as an officer of the entity. The County Judge does not vote on fiscal court matter other than as a tie breaker. All votes cast by the Judge executive are either for tie breaking purposes or purely symbolic to show unity on the Court. All future hiring's and/or vendor purchases that require Ethics Commission approval will be submitted to the Ethics Committee in advance and will be in compliance with all state and federal statutes and guidelines.

Section III: Federal Award Findings And Questioned Costs

2022-003 The Lawrence County Fiscal Court Did Not Establish And Maintain Effective Internal Controls Over Compliance With Coronavirus State and Local Fiscal Recovery Fund (SLFRF) Requirements

Federal Program: Assistance Listing #: 21.027 COVID-19 - Coronavirus State and Local Fiscal Recovery Funds

Award Number and Year: 2022

Name of Federal Agency: U.S. Department of the Treasury

Compliance Requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Reporting

Type of Finding: Significant Deficiency

Amount of Questioned Costs: \$0

COVID Related: Yes

The Lawrence County Fiscal Court transferred federal funds from the ARPA fund to the general, jail, road, LGFA, and E-911 funds without first ensuring sufficient supporting documentation of allowable expenditures during the same period as the funds were reported as expended on the Schedule of Expenditures of Federal Awards (SEFA).

The county was awarded \$2,975,148 in American Rescue Plan Act (ARPA) funds, receiving the first payment of \$1,487,618 into the ARPA fund in May 2021, and their second payment of \$1,487,530 in June 2022. The fiscal court's transfers in total from the ARPA fund to each fund are provided below:

- General - \$714,640
- Road - \$250,000
- Jail - \$40,000
- LGFA - \$25,000
- E-911 - \$10,000
- Payroll - \$217,739

These transfers from the ARPA fund were considered "lost revenue" according to their fiscal court meeting minutes. At the time of these transfers, and until auditors inquired about the supporting documentation, the county did not maintain a list of expenditures that reconciled to the transfer total. After this inquiry, the county gathered documentation and provided auditors a reconciliation of expenditures of eligible costs that supported the amount transferred into the general fund.

LAWRENCE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022
(Continued)

Section III: Federal Award Findings And Questioned Costs (Continued)

2022-003 The Lawrence County Fiscal Court Did Not Establish And Maintain Effective Internal Controls Over Compliance With Coronavirus State and Local Fiscal Recovery Fund (SLFRF) Requirements
 (Continued)

An effective internal control system was not in place in Lawrence County to ensure compliance with requirements related to the administration of ARPA funds and the Allowable Costs/Cost Principles compliance requirements. The lack of internal controls was a systemic issue throughout the period.

Failure to establish and maintain effective internal controls over compliance with federal program requirements could subject the county to the risk of reporting ineligible expenditures on the SEFA and using grant funds for unallowable purposes.

2 CFR 200.303 states in part, “[t]he non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.”

2 CFR §200.302(b) states, “[t]he financial management system of each non-Federal entity must provide for the following ...: (2) [a]ccurate, current and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set for in §200.328 and 200.329.”

In addition, 2 CFR §200.502(a) states, “[t]he determination of when a Federal award is expended must be based on when the activity related to the Federal award occurs.” Therefore, the county should only include expenditures on the Schedule of Expenditures of Federal Awards (SEFA) for which there is sufficient supporting documentation.

We recommend the county establish and maintain internal controls over compliance for all federal program expenditures to ensure accurate use and reporting of federal awards, including maintaining sufficient supporting documentation of expenditures that reconciles to any transfer from a federal program fund into other county funds.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive’s Response: The fiscal court would like to point out that ARPA funds were properly distributed. During this time there was little guidance on how to manage the reporting. All reporting has been corrected.

LAWRENCE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022
(Continued)

Section III: Federal Award Findings And Questioned Costs (Continued)

2022-004 The Lawrence County Fiscal Court Failed To Implement Effective Internal Controls Over Federally Reimbursed Expenditures And Circumvented Internal Controls By Performing A Split Purchase

Federal Program: Assistance Listing #: 21.027 COVID-19 - Coronavirus State and Local Fiscal Recovery Funds

Award Number and Year - 2022

Name of Federal Agency: U.S. Department of the Treasury

Compliance Requirements; Procurement, Suspension, and Debarment

Type of Finding: Material Weakness and Noncompliance

Amount of Questioned Costs: \$64,999

Opinion Modification: Yes, Qualified

COVID Related: Yes

The Lawrence County Fiscal Court paid \$29,999 to a vendor for inflatables and associated items for the Lawrence County Cove project. This vendor was paid an additional \$5,000 on the same day for other items applicable to the cove project for a total of \$34,999. In addition, the fiscal court also made a payment of \$30,000 to another vendor for the renting of equipment which is also a violation of the ethics code as discussed in finding 2022-002 and 2022-005. There was a total of \$64,999 in purchases with federal funds that were not advertised or opened for bid in accordance with KRS 424.260. Additionally, vendors were not checked to see if they were debarred or suspended.

The fiscal court circumvented internal controls by making split payments to the vendor for less than \$30,000. The county issued separate payments to the vendor so that bidding would not be required. The county also failed to advertise or open a bid for the inflatables cove project and the rental of the dozer. The county failed to follow proper procurement procedures which results in a noncompliance with state laws and federal regulations and is at risk for extensive federal oversight and repayment of questioned costs.

The version of KRS 424.260(1) in effect at the time of the subject expenditures stated, “[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: (a) Materials; (b) Supplies, except perishable foods such as meat, poultry, fish, egg products, fresh vegetables, and fresh fruits; (c) Equipment; or (d) Contractual services other than professional; involving an expenditure of more than thirty thousand dollars (\$30,000) without first making newspaper advertisement for bids.”

2 CFR §200.318(a) requires, “[t]he non-Federal entity must have and use documented procurement procedures, consistent with State, local, and tribal laws and regulations and the standards of this section, for the acquisition of property or services required under a Federal award or subaward. The non-Federal entity's documented procurement procedures must conform to the procurement standards identified in § 200.317 through 200.327.”

We recommend all expenditures of \$30,000 or more be bid in accordance with KRS 424.260(1). Purchases should not be split in order to avoid bid requirements. The fiscal court and management should also abide by the requirements of 2 CFR §200.318(a) by adhering to their own policies and procedures for procurement of projects.

LAWRENCE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022
(Continued)

Section III: Federal Award Findings And Questioned Costs (Continued)

2022-004 The Lawrence County Fiscal Court Failed To Implement Effective Internal Controls Over Federally Reimbursed Expenditures And Circumvented Internal Controls By Performing A Split Purchase
 (Continued)

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The two purchases made by the county were made at different times for different items. Although both purchases were paid for at the same time, due to the fiscal court approval needed to pay the bills, neither of them separately required a bid process. The County does acknowledge the \$29,999.00 price tag being close to the allowable amount to spend without bidding, however, the county would state that the purchase price was agreed upon out of good faith and with no attempt to circumvent the bidding requirements. The final \$30,000.00 accounted for in this section was for the rental of a dozer. The anticipated rental time and need far exceeded initial estimates. During the initial rental period, the dozer was rented to level the new soccer field, during the work on the soccer field the adjacent land was given to the county and the work on that field exceeded the initial estimates, leading to the overage. Upon realizing the amount was getting close to the \$30,000.00 bid requirement the county contacted the owner of the dozer and explained the situation. At that point the owner of the dozer made an offer to sell the dozer to the county at a discounted price which would include a portion of the balance the county already owed. The county bid the purchase of a new dozer. The only bid received by the county for a dozer was from the rented dozer's owner. The county has put into place controls that will require opening of bids no matter the anticipated and/or expected outcomes in adherence to all statutory authority.

2022-005 The Lawrence County Fiscal Court Did Not Abide By 2 CFR 200.318(c)(1)

Federal Program: Assistance Listing #: 21.027 COVID-19- Coronavirus State and Local Fiscal Recovery Funds and 97.036 Disaster Grants Public Assistance

Award Number and Year: 2022

Name of Federal Agency and Pass-Through Agency (if applicable): U.S. Department of the Treasury and U.S. Department of Disaster Emergency Management passed through Kentucky Department of Military Affairs

Compliance Requirements: Activities Allowed/Allowable Costs

Type of Finding: Material Weakness and Noncompliance

Amount of Questioned Costs: ALN 21.027 \$4,160 (excludes \$30,000 included in Finding 2022-004) and ALN 97.036 \$92,984

Opinion Modification: Yes, Qualified

COVID Related: Yes- ALN 21.027

During testing of ALN 97.036 and ALN 21.027, it was discovered that the Lawrence County Fiscal Court did not have internal controls over disbursements of federal funds. Federal funds were disbursed to a vendor of which the Judge/Executive's son-in-law is a member and the judge's brother who is the road foreman for premium pay and as a FEMA applicant agent. Provided below are the totals spent for each assistance listing number:

- ALN 97.036 Vendor Total - \$78,961
- ALN 97.036 Road Foreman Total - \$14,023
- ALN 21.027 Vendor Total - \$30,000 (See finding 2022-004)
- ALN 21.027 Road Foreman Total - \$4,160

LAWRENCE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022
(Continued)

Section III: Federal Award Findings And Questioned Costs (Continued)

2022-005 The Lawrence County Fiscal Court Did Not Abide By 2 CFR 200.318(c)(1) (Continued)

The fiscal court disbursed federal funds to parties with a known relation to the Lawrence County Judge/Executive. The fiscal court is noncompliant with the 2 CFR 200.318(c)(1) and the Lawrence County Ethics Code and is at risk for extensive federal oversight and repayment of questioned costs.

2 CFR 200.318(c)(1) states, “[t]he Non-Federal entity must maintain written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award and administration of contracts. No employee, officer, or agent may participate in the selection, award, or administration of a contract supported by a Federal award if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract. The officers, employees, and agents of the non-Federal entity may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts. However, non-Federal entities may set standards for situations in which the financial interest is not substantial, or the gift is an unsolicited item of nominal value. The standards of conduct must provide for disciplinary actions to be applied for violations of such standards by officers, employees, or agents of the non-Federal entity.”

County Ethics Code - Section III Standards of Conduct states, “c. No county government officer or employee shall act in his official capacity in any manner where he is a member of his immediate family, or a business organization in which he has an interest, has a direct or indirect financial or personal involvement that might reasonably be expected to impair his objectivity or independence of judgment.”

We recommend the fiscal court adhere to the requirements set by federal standards. The fiscal court should refrain from using vendors and employees that could potentially create conflicts of interest when using federal funds. If the fiscal court does choose to involve related parties, it is imperative that the ethics commissions thoroughly review and assess these transactions to ensure transparency and ethical compliance. This finding will be referred to Lawrence County Ethics Commission.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: See answer to 2022-002.

Section IV: Summary Schedule of Prior Audit Findings

None.

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

LAWRENCE COUNTY FISCAL COURT

For The Year Ended June 30, 2022

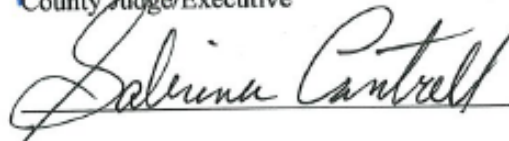
THIS PAGE LEFT BLANK INTENTIONALLY

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
LAWRENCE COUNTY FISCAL COURT

For The Year Ended June 30, 2022

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


County Judge/Executive


County Treasurer