

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

**For The Year Ended
June 30, 2021**



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

The Honorable Andy Beshear, Governor

Holly M. Johnson, Secretary

Finance and Administration Cabinet

The Honorable Craig Stanfield, Lewis County Judge/Executive

The Honorable Jimmy Lykins, Former Lewis County Judge/Executive

Members of the Lewis County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Lewis County Fiscal Court, for the year ended June 30, 2021, and the related notes to the financial statement, which collectively comprise the Lewis County Fiscal Court's financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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



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

As described in Note 1 of the financial statement, the financial statement is prepared by the Lewis County Fiscal Court on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Lewis County Fiscal Court as of June 30, 2021, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of the Lewis County Fiscal Court as of June 30, 2021, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government as described in Note 1.

Other Matters

Supplementary and Other Information

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

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

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

To the People of Kentucky
The Honorable Andy Beshear, Governor
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Members of the Lewis County Fiscal Court

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2022, on our consideration of the Lewis 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 Lewis County Fiscal Court's internal control over financial reporting and compliance.

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

- 2021-001 The Fiscal Court's Fourth Quarter Financial Report Was Materially Misstated
- 2021-002 The Fourth Quarter Liabilities Journal Was Materially Misstated
- 2021-003 The Fiscal Court Did Not Properly Budget For And Record All Debt-Related Disbursements
- 2021-004 The Fiscal Court Failed To Properly Approve, Record, And Pay All Disbursements Timely
- 2021-005 The Jail Commissary Lacks Segregation Of Duties Over Receipts, Disbursements, And Bank Reconciliation Processes
- 2021-006 The Jailer Did Not Deposit Receipts Intact On A Daily Basis

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

August 9, 2022

LEWIS COUNTY OFFICIALS
For The Year Ended June 30, 2021

Fiscal Court Members:

Todd Ruckel	County Judge/Executive (7/1/20 through 11/30/20)
James Lykins	County Judge/Executive (12/21/20 through 10/29/21)
Terri Thomas	Magistrate
David Iery	Magistrate
Woody Underwood	Magistrate
Chuck Swearingen	Magistrate

Other Elected Officials:

Ben Harrison	County Attorney
Jeff Lykins	Jailer
Glenda Himes	County Clerk
Teresa Callahan	Circuit Court Clerk
Johnny Bivens	Sheriff
Kenneth Ruckel	Property Valuation Administrator
Tony Gaydos	Coroner

Appointed Personnel:

Penny Lee	County Treasurer
Kimberly Sparks	County Finance Officer

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

For The Year Ended June 30, 2021

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

For The Year Ended June 30, 2021

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 1,589,877	\$	\$
Excess Fees	81,985		
Licenses and Permits	22,018		
Intergovernmental	348,091	1,434,941	386,849
Charges for Services	803		18,653
Miscellaneous	693,301	589,137	47,986
Interest	1,411	1,041	75
Total Receipts	<u>2,737,486</u>	<u>2,025,119</u>	<u>453,563</u>
DISBURSEMENTS			
General Government	1,013,424		
Protection to Persons and Property	36,082		883,735
General Health and Sanitation	129,600		
Social Services	5,355		
Recreation and Culture	22,007		
Roads		2,089,652	
Debt Service		598,412	460,217
Administration	531,568	219,618	203,590
Total Disbursements	<u>1,738,036</u>	<u>2,907,682</u>	<u>1,547,542</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>999,450</u>	<u>(882,563)</u>	<u>(1,093,979)</u>
Other Adjustments to Cash (Uses)			
Governmental Leasing Account Receipts		557,524	
Bond Proceeds			335,000
Bond Premium			29,610
Transfers From Other Funds	150,000	400,000	700,000
Transfers To Other Funds	(1,153,244)	(150,000)	
Total Other Adjustments to Cash (Uses)	<u>(1,003,244)</u>	<u>807,524</u>	<u>1,064,610</u>
Net Change in Fund Balance	(3,794)	(75,039)	(29,369)
Fund Balance - Beginning (Restated)	<u>424,414</u>	<u>90,483</u>	<u>54,257</u>
Fund Balance - Ending	<u>\$ 420,620</u>	<u>\$ 15,444</u>	<u>\$ 24,888</u>
Composition of Fund Balance			
Bank Balance	\$ 473,433	\$ 20,714	\$ 26,919
Less: Outstanding Checks	<u>(52,813)</u>	<u>(5,270)</u>	<u>(2,031)</u>
Fund Balance - Ending	<u>\$ 420,620</u>	<u>\$ 15,444</u>	<u>\$ 24,888</u>

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

LEWIS COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2021
(Continued)

Budgeted Funds						
Local Government Economic Assistance Fund	Community Development Block Grants Fund	Animal Shelter Fund	E911 Fund	Special Fund	Grant Fund	Special Escrow Fund
\$	\$	\$	\$ 172,650	\$	\$	\$
29,856	25,972	740	151,803	1,289,257	25,000	
		6,543				
		436	5			
42		8	453	90		295
29,898	25,972	7,727	324,911	1,289,347	25,000	295
18,196	26,016				5,000	144
			282,769			
1,350		63,108				
			51,980			
19,546	26,016	63,108	334,749		5,000	144
10,352	(44)	(55,381)	(9,838)	1,289,347	20,000	151
	144	53,000				100
	144	53,000				100
10,352	100	(2,381)	(9,838)	1,289,347	20,000	251
9,287		5,631	185,438		48,430	117,833
\$ 19,639	\$ 100	\$ 3,250	\$ 175,600	\$ 1,289,347	\$ 68,430	\$ 118,084
\$ 19,639	\$ 100	\$ 3,250	\$ 175,669	\$ 1,289,347	\$ 68,430	\$ 118,084
			(69)			
\$ 19,639	\$ 100	\$ 3,250	\$ 175,600	\$ 1,289,347	\$ 68,430	\$ 118,084

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

LEWIS COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2021
(Continued)

	Unbudgeted Funds		
	Public Properties Corporation Fund	Jail Commissary Fund	Total Funds
RECEIPTS			
Taxes	\$	\$	\$ 1,762,527
Excess Fees			81,985
Licenses and Permits			22,018
Intergovernmental	382,637		4,075,146
Charges for Services			25,999
Miscellaneous		5,334	1,336,199
Interest		52	3,467
Total Receipts	<u>382,637</u>	<u>5,386</u>	<u>7,307,341</u>
DISBURSEMENTS			
General Government			1,062,780
Protection to Persons and Property			1,202,586
General Health and Sanitation			194,058
Social Services			5,355
Recreation and Culture		47,947	69,954
Roads			2,089,652
Debt Service	381,388		1,440,017
Administration	<u>1,250</u>		<u>1,008,006</u>
Total Disbursements	<u>382,638</u>	<u>47,947</u>	<u>7,072,408</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1)</u>	<u>(42,561)</u>	<u>234,933</u>
Other Adjustments to Cash (Uses)			
Governmental Leasing Account Receipts			557,524
Bond Proceeds			335,000
Bond Premium			29,610
Transfers From Other Funds			1,303,244
Transfers To Other Funds			<u>(1,303,244)</u>
Total Other Adjustments to Cash (Uses)			<u>922,134</u>
Net Change in Fund Balance	(1)	(42,561)	1,157,067
Fund Balance - Beginning (Restated)	<u>687</u>	<u>42,564</u>	<u>979,024</u>
Fund Balance - Ending	<u>\$ 686</u>	<u>\$ 3</u>	<u>\$ 2,136,091</u>
Composition of Fund Balance			
Bank Balance	\$ 686	\$ 3	\$ 2,196,274
Less: Outstanding Checks			<u>(60,183)</u>
Fund Balance - Ending	<u>\$ 686</u>	<u>\$ 3</u>	<u>\$ 2,136,091</u>

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

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TO THE FINANCIAL STATEMENT**

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**LEWIS COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2021

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Basis of Accounting

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

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

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

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

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.

LEWIS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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

Community Development Block Grants 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.

Animal Shelter Fund - The primary purpose of this fund is to provide support of the animal shelter for the county. The primary sources of receipts for this fund are from local support and animal adoptions.

E911 Fund - The primary purpose of this fund is to account for the dispatch expenses of the county. The primary source of receipts for this fund is the 911 telephone surcharge.

Special Fund - This primary purpose of this fund is to account for the receipts and disbursements of the American Rescue Plan Act (ARPA) funds provided by the federal government. The primary sources of receipts for this fund are federal monies.

Grant Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary source of receipts for this fund is grants from the state government.

Special Escrow Fund - The primary purpose of this fund is to account for funds set aside for special projects.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

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.

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135. The profits generated from the sale of items are to be used for the benefit and to enhance the well-being of the inmates, or to enhance safety and security within the jail. The jailer is required to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail commissary fund.

D. Budgetary Information

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

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

LEWIS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information (Continued)

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 jail commissary fund to be budgeted because the fiscal court does not approve the expenses of this fund.

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.

E. Lewis County Elected Officials

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

LEWIS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(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.

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*. On June 30, 2021, the fiscal court's bank balance was exposed to custodial credit risk because the bank did not adequately collateralize the fiscal court's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured \$1,125,475

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2021.

	General Fund	Road Fund	Total Transfers In
General Fund	\$	\$ 150,000	\$ 150,000
Road Fund	400,000		400,000
Jail Fund	700,000		700,000
Animal Shelter Fund	53,000		53,000
CDBG Fund	144		144
Special Escrow Fund	100		100
Total Transfers Out	<u>\$ 1,153,244</u>	<u>\$ 150,000</u>	<u>\$ 1,303,244</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. Custodial Funds

Custodial funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. In accordance with the regulatory basis of accounting, custodial funds are not presented on the financial statement.

The fiscal court has the following custodial fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2021 was \$28,762.

LEWIS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 5. Long-term Debt

A. Direct Borrowings and Direct Placements

1. Detention Center

On April 28, 2011, Lewis County entered into a long-term lease agreement with the Kentucky Area Development District to pay off the short-term lease agreement for renovations on the Lewis County Detention Center. In the event of default, the project facilities is held for collateral by the financial institution. Once the jail closed, this lease was refinanced with General Obligation Bonds, Series 2021A (see Note 5.B.2)

2. Jail Roof

On February 25, 2016, Lewis County entered into a \$100,000 financing obligation agreement with the Kentucky Association of Counties Leasing Trust for the purpose of financing the replacement of the roof on the jail. Terms of the agreement stipulate a repayment schedule in which the final payment is due on February 20, 2021, with variable monthly interest payments. In the event of default, the project facilities are held for collateral by the financial institution. As of June 30, 2021, this direct borrowing was paid in full.

3. Dump Trucks

On June 3, 2020, the Lewis County Fiscal Court entered into a \$560,524 agreement with the Kentucky Association of Counties Leasing Trust Program for the acquisition of three dump trucks for the purpose of reselling the dump trucks at auction. In the case of default, the asset purchased will be repossessed. As of June 30, 2021, this direct borrowing was paid in full.

4. Road Trucks

On November 30, 2018, Lewis County entered into an agreement to finance the purchase of two trucks for the road department in the amount of \$98,850. A promissory note was signed at a fixed interest rate of 4.50% for a period of five years maturing on August 31, 2023. The purchase agreement requires that one principal and interest payment is due per year. In the case of default, the asset purchased will be repossessed. At June 30 2021, the principal outstanding was \$61,248. Future principal requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 19,527	\$ 2,797
2023	20,417	1,905
2024	21,304	974
Totals	<u>\$ 61,248</u>	<u>\$ 5,676</u>

5. Dump Trucks and Road Tractor

On April 22, 2021, the Lewis County Fiscal Court entered into a \$557,524 agreement with the Kentucky Association of Counties Leasing Trust Program for the acquisition of three dump trucks and one road tractor. The dump trucks will be held for a limited time, and then sold at auction. In the case of default, the assets purchased will be repossessed. The lease is scheduled to mature on September 20, 2022. At June 30, 2021, the principal outstanding was \$557,524. Future principal requirements are:

LEWIS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 5. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

5. Dump Trucks and Road Tractor (Continued)

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 0	\$ 14,050
2023	<u>557,524</u>	<u>3,512</u>
Totals	<u>\$ 557,524</u>	<u>\$ 17,562</u>

B. Other Debt

1. First Mortgage Refunding Revenue Bonds, Series 2014

In August 2014, the Lewis County Public Properties Corporation issued \$3,680,000 in first mortgage revenue refunding bonds for the purpose of defeasing the 2005 first mortgage revenue bond issue. The Lewis County Public Properties Corporation, Administrative Office of the Courts (AOC), and the county entered into a lease agreement for the purpose of obtaining office rental space for AOC at the justice center.

Lewis County and the public properties corporation acted as agents for AOC in order to plan, design, and construct the justice center. They are now acting as agents for AOC in managing and maintaining the justice center. The public properties corporation and the county expect annual rentals for the justice center to be in the full amount of the annual principal and interest requirements of the bonds. Under the terms of the lease, AOC has agreed to pay directly to the paying agent bank, the use allowance payment as provided by in the lease. The lease agreement is renewable each year. The county and the public properties corporation are reliant upon the use allowance payment in order to meet the debt service requirements for the bonds. In the event of default, the judicial center will be repossessed by the financial institution.

The use allowance payment commenced with the occupancy of the justice center by AOC. AOC, with the execution of the lease, has expressed its intention to continue to pay the full use allowance payment in each successive biennial budget period until March 2026, but the lease does not obligate AOC to do so. These bonds are scheduled to mature in March 2026. Principal payments are due each year on March 1 and interest is payable each year on September 1 and March 1. The total principal balance was \$1,720,000 as of June 30, 2021. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 335,000	\$ 49,075
2023	340,000	40,700
2024	350,000	31,350
2025	365,000	20,850
2026	<u>330,000</u>	<u>9,900</u>
Totals	<u>\$ 1,720,000</u>	<u>\$ 151,875</u>

LEWIS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 5. Long-term Debt (Continued)

B. Other Debt (Continued)

2. General Obligation Bonds, Series 2021A

On April 8, 2021, the Lewis County Fiscal Court issued general obligation bonds, series 2021A in the amount of \$335,000. The proceeds of this issue were used to defease the detention center renovations – direct borrowing (see Note 5.A.1). The bonds were issued with an interest rate of 1.44% with a retirement date of June 30, 2026. Annual principal payments are due on December 20 of each year and semi-annual interest payments are due on June 20 and December 20 of each year.

The bonds are secured by the fiscal court's taxing authority (the ability to levy an annual tax to pay the interest on and principal of the bonds when they become due and payable). The outstanding bond principal at June 30, 2021 was \$335,000. Bond payments for the remaining years are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 65,000	\$ 14,043
2023	65,000	12,743
2024	65,000	11,118
2025	65,000	8,518
2026	<u>75,000</u>	<u>3,446</u>
Totals	<u>\$ 335,000</u>	<u>\$ 49,868</u>

C. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 1,073,770	\$ 557,524	\$1,012,522	\$ 618,772	\$ 19,527
Other Debt	<u>2,045,000</u>	<u>335,000</u>	<u>325,000</u>	<u>2,055,000</u>	<u>400,000</u>
Total Long-term Debt	<u>\$ 3,118,770</u>	<u>\$ 892,524</u>	<u>\$ 1,337,522</u>	<u>\$ 2,673,772</u>	<u>\$ 419,527</u>

LEWIS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 5. Long-term Debt (Continued)

D. Aggregate Debt Schedule

The amount of required principal and interest payments on long-term obligations at June 30, 2021, were as follows:

Fiscal Year Ended June 30	Other Debt		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2022	\$ 400,000	\$ 63,118	\$ 19,527	\$ 16,847
2023	405,000	53,443	577,941	5,417
2024	415,000	42,468	21,304	974
2025	430,000	29,368		
2026	405,000	13,346		
Totals	<u>\$ 2,055,000</u>	<u>\$ 201,743</u>	<u>\$ 618,772</u>	<u>\$ 23,238</u>

Note 6. Employee Retirement System

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Effective April 1, 2021, the Kentucky Retirement Systems as an agency of the Commonwealth is now known as the Kentucky Public Pensions Authority (KPPA). The governance of CERS has been transferred to a separate 9-member board of trustees that is responsible for the governance of the CERS pension and insurance plans.

The county's contribution for FY 2019 was \$423,980, FY 2020 was \$449,409, and FY 2021 was \$483,263.

Nonhazardous

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

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

LEWIS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 6. Employee Retirement System (Continued)

Nonhazardous (Continued)

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.

Hazardous

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

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

Members in the plan contribute a set percentage of their salary each month to their own accounts. Hazardous members contribute 8 percent of their annual creditable compensation and 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 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 hazardous member's account is credited with a 7.5 percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

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

The county's contribution rate for hazardous employees was 39.58 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:

LEWIS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 6. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (Continued)

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.

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

Benefits are covered under KRS 78.5536.

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

Once members reach a minimum vesting period of 15 years, they earn 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.

LEWIS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 6. Employee Retirement System (Continued)

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

Once members reach a minimum vesting period of 15 years, they earn fifteen 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. Upon the death of a hazardous employee, the employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

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

D. Cost of Living Adjustments - Tier 1

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

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

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

F. Death Benefit

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

KRS Annual Financial Report and Proportionate Share Audit Report

KRS issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky 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.

LEWIS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 7. Deferred Compensation

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

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

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

Note 8. Insurance

For the fiscal year ended June 30, 2021, the Lewis County Fiscal Court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 9. Conduit Debt

From time to time, the county has issued bonds to provide financial assistance to others 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 Lewis 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, 2021, conduit debt has been issued but the amount currently outstanding is not reasonably determinable.

Note 10. Prior Period Adjustment

The beginning balance of the jail fund was increased \$98 due to a prior year omission.

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LEWIS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2021

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LEWIS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2021

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,323,521	\$ 1,323,521	\$ 1,589,877	\$ 266,356
In Lieu Tax Payments	50	50		(50)
Excess Fees	51,000	51,000	81,985	30,985
Licenses and Permits	25,000	25,000	22,018	(2,982)
Intergovernmental	323,540	323,540	348,091	24,551
Charges for Services	1,200	1,200	803	(397)
Miscellaneous	28,100	28,100	693,301	665,201
Interest	2,000	2,000	1,411	(589)
Total Receipts	<u>1,754,411</u>	<u>1,754,411</u>	<u>2,737,486</u>	<u>983,075</u>
DISBURSEMENTS				
General Government	897,939	1,171,289	1,013,424	157,865
Protection to Persons and Property	58,500	39,736	36,082	3,654
General Health and Sanitation	146,700	172,538	129,600	42,938
Social Services	13,600	17,600	5,355	12,245
Recreation and Culture	125,000	22,007	22,007	
Administration	564,388	1,016,497	531,568	484,929
Total Disbursements	<u>1,806,127</u>	<u>2,439,667</u>	<u>1,738,036</u>	<u>701,631</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(51,716)</u>	<u>(685,256)</u>	<u>999,450</u>	<u>1,684,706</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	223,449	223,449	150,000	(73,449)
Transfers To Other Funds	<u>(650,943)</u>	<u>(650,943)</u>	<u>(1,153,244)</u>	<u>(502,301)</u>
Total Other Adjustments to Cash (Uses)	<u>(427,494)</u>	<u>(427,494)</u>	<u>(1,003,244)</u>	<u>(575,750)</u>
Net Change in Fund Balance	(479,210)	(1,112,750)	(3,794)	1,108,956
Fund Balance - Beginning	<u>479,210</u>	<u>479,210</u>	<u>424,414</u>	<u>(54,796)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (633,540)</u>	<u>\$ 420,620</u>	<u>\$ 1,054,160</u>

LEWIS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2021
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 2,434,181	\$ 2,434,181	\$ 1,434,941	\$ (999,240)
Miscellaneous	480,421	480,421	589,137	108,716
Interest	2,500	2,500	1,041	(1,459)
Total Receipts	<u>2,917,102</u>	<u>2,917,102</u>	<u>2,025,119</u>	<u>(891,983)</u>
DISBURSEMENTS				
Roads	2,618,293	2,658,672	2,089,652	569,020
Debt Service	704,084	704,084	598,412	105,672
Administration	<u>372,942</u>	<u>331,070</u>	<u>219,618</u>	<u>111,452</u>
Total Disbursements	<u>3,695,319</u>	<u>3,693,826</u>	<u>2,907,682</u>	<u>786,144</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(778,217)</u>	<u>(776,724)</u>	<u>(882,563)</u>	<u>(105,839)</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds	560,524	560,524	557,524	(3,000)
Transfers From Other Funds			400,000	400,000
Transfers To Other Funds	<u>(223,448)</u>	<u>(223,448)</u>	<u>(150,000)</u>	<u>73,448</u>
Total Other Adjustments to Cash (Uses)	<u>337,076</u>	<u>337,076</u>	<u>807,524</u>	<u>470,448</u>
Net Change in Fund Balance	(441,141)	(439,648)	(75,039)	364,609
Fund Balance - Beginning	<u>441,141</u>	<u>441,141</u>	<u>90,483</u>	<u>(350,658)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 1,493</u>	<u>\$ 15,444</u>	<u>\$ 13,951</u>

LEWIS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2021
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 611,000	\$ 611,000	\$ 386,849	\$ (224,151)
Charges for Services	19,350	19,350	18,653	(697)
Miscellaneous	35,700	35,700	47,986	12,286
Interest	250	250	75	(175)
Total Receipts	666,300	666,300	453,563	(212,737)
DISBURSEMENTS				
Protection to Persons and Property	979,935	1,002,351	883,735	118,616
Debt Service	95,608	107,403	460,217	(352,814)
Administration	262,711	228,500	203,590	24,910
Total Disbursements	1,338,254	1,338,254	1,547,542	(209,288)
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(671,954)	(671,954)	(1,093,979)	(422,025)
Other Adjustments to Cash (Uses)				
Bond Proceeds			335,000	335,000
Bond Premium			29,610	29,610
Transfers From Other Funds	600,000	600,000	700,000	100,000
Total Other Adjustments to Cash (Uses)	600,000	600,000	1,064,610	464,610
Net Change in Fund Balance	(71,954)	(71,954)	(29,369)	42,585
Fund Balance - Beginning (Restated)	71,954	71,954	54,257	(17,697)
Fund Balance - Ending	\$ 0	\$ 0	\$ 24,888	\$ 24,888

LEWIS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2021
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 18,000	\$ 18,000	\$ 29,856	\$ 11,856
Interest	100	100	42	(58)
Total Receipts	18,100	18,100	29,898	11,798
DISBURSEMENTS				
General Government	20,516	21,235	18,196	3,039
General Health and Sanitation	3,000	3,000	1,350	1,650
Administration	4,584	3,865		3,865
Total Disbursements	28,100	28,100	19,546	8,554
Net Change in Fund Balance	(10,000)	(10,000)	10,352	20,352
Fund Balance - Beginning	10,000	10,000	9,287	(713)
Fund Balance - Ending	\$ 0	\$ 0	\$ 19,639	\$ 19,639

LEWIS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2021
(Continued)

COMMUNITY DEVELOPMENT BLOCK GRANTS FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 500,000	\$ 1,105,047	\$ 25,972	\$ (1,079,075)
Total Receipts	500,000	1,105,047	25,972	(1,079,075)
DISBURSEMENTS				
General Government	500,000	500,000	26,016	473,984
Total Disbursements	500,000	500,000	26,016	473,984
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		605,047	(44)	(605,091)
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			144	144
Total Other Adjustments to Cash (Uses)			144	144
Net Change in Fund Balance		605,047	100	(604,947)
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 605,047	\$ 100	\$ (604,947)

LEWIS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2021
(Continued)

ANIMAL SHELTER FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 1,500	\$ 1,500	\$ 740	\$ (760)
Charges for Services	4,850	4,850	6,543	1,693
Miscellaneous	200	200	436	236
Interest	30	30	8	(22)
Total Receipts	6,580	6,580	7,727	1,147
DISBURSEMENTS				
General Health and Sanitation	59,720	64,220	63,108	1,112
Administration	1,500			
Total Disbursements	61,220	64,220	63,108	1,112
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(54,640)	(57,640)	(55,381)	2,259
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	50,943	50,943	53,000	2,057
Total Other Adjustments to Cash (Uses)	50,943	50,943	53,000	2,057
Net Change in Fund Balance	(3,697)	(6,697)	(2,381)	4,316
Fund Balance - Beginning	3,697	3,697	5,631	1,934
Fund Balance - Ending	\$ 0	\$ (3,000)	\$ 3,250	\$ 6,250

LEWIS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2021
(Continued)

E911 FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 140,000	\$ 140,000	\$ 172,650	\$ 32,650
Intergovernmental	162,094	162,094	151,803	(10,291)
Miscellaneous	200	200	5	(195)
Interest	1,500	1,500	453	(1,047)
Total Receipts	<u>303,794</u>	<u>303,794</u>	<u>324,911</u>	<u>21,117</u>
DISBURSEMENTS				
Protection to Persons and Property	393,884	395,684	282,769	112,915
Administration	<u>104,910</u>	<u>103,110</u>	<u>51,980</u>	<u>51,130</u>
Total Disbursements	<u>498,794</u>	<u>498,794</u>	<u>334,749</u>	<u>164,045</u>
Net Change in Fund Balance	(195,000)	(195,000)	(9,838)	185,162
Fund Balance - Beginning	<u>195,000</u>	<u>195,000</u>	<u>185,438</u>	<u>(9,562)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 175,600</u>	<u>\$ 175,600</u>

LEWIS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2021
(Continued)

	SPECIAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$	\$ 1,289,257	\$ 1,289,257	\$
Interest			90	90
Total Receipts		1,289,257	1,289,347	90
Net Change in Fund Balance		1,289,257	1,289,347	90
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,289,347	\$ 90

LEWIS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2021
(Continued)

	GRANT FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 380,000	\$ 382,500	\$ 25,000	\$ (357,500)
Total Receipts	380,000	382,500	25,000	(357,500)
DISBURSEMENTS				
General Government	30,000	35,000	5,000	30,000
Protection to Persons and Property		2,500		2,500
Recreation and Culture	350,000	320,000		320,000
Administration	25,434	20,434		20,434
Total Disbursements	405,434	377,934	5,000	372,934
Net Change in Fund Balance	(25,434)	4,566	20,000	15,434
Fund Balance - Beginning	25,434	25,434	48,430	22,996
Fund Balance - Ending	\$ 0	\$ 30,000	\$ 68,430	\$ 38,430

LEWIS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2021
(Continued)

SPECIAL ESCROW FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 100	\$ 100	\$	\$ (100)
Interest	500	500	295	(205)
Total Receipts	600	600	295	(305)
DISBURSEMENTS				
General Government	117,925	117,925	144	117,781
Total Disbursements	117,925	117,925	144	117,781
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(117,325)	(117,325)	151	117,476
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			100	100
Total Other Adjustments to Cash (Uses)			100	100
Net Change in Fund Balance	(117,325)	(117,325)	251	117,576
Fund Balance - Beginning	117,325	117,325	117,833	508
Fund Balance - Ending	\$ 0	\$ 0	\$ 118,084	\$ 118,084

LEWIS COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2021

Note 1. Budgetary Information

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

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

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

Note 2. Excess of Disbursements Over Appropriations

The jail fund, debt service line item, exceeded budgeted appropriations by \$352,814.

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LEWIS COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2021

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LEWIS COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2021

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 536,708	\$	\$	\$ 536,708
Buildings	8,470,693			8,470,693
Vehicles and Equipment	2,494,224	149,003		2,643,227
Other Equipment	975,323			975,323
Infrastructure	11,017,700	840,385		11,858,085
 Total Capital Assets	 <u>\$ 23,494,648</u>	 <u>\$ 989,388</u>	 <u>\$ 0</u>	 <u>\$ 24,484,036</u>

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

June 30, 2021

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	\$ 12,500	10-60
Buildings	\$ 25,000	10-75
Vehicles and Equipment	\$ 5,000	3-25
Other Equipment	\$ 5,000	3-25
Infrastructure	\$ 10,000	10-50

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Craig Stanfield, Lewis County Judge/Executive
The Honorable Jimmy Lykins, Former Lewis County Judge/Executive
Members of the Lewis County Fiscal Court

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

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Lewis County Fiscal Court for the fiscal year ended June 30, 2021, and the related notes to the financial statement which collectively comprise the Lewis County Fiscal Court's financial statement and have issued our report thereon dated August 9, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Lewis 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 Lewis County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lewis 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 Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2021-001 and 2021-002 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)

Internal Control Over Financial Reporting (Continued)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2021-005 and 2021-006 to be significant deficiencies.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Lewis 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2021-001, 2021-002, 2021-003, and 2021-004.

Views of Responsible Officials and Planned Corrective Action

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

Purpose of this Report

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

Respectfully submitted,

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

August 9, 2022

**LEWIS COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2021

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**LEWIS COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2021

FINANCIAL STATEMENT FINDINGS:

2021-001 The Fiscal Court's Fourth Quarter Financial Report Was Materially Misstated

The fiscal court's fourth quarter financial report submitted to the Department for Local Government (DLG), which serves as the fiscal court's year-end financial statement, was materially misstated. Adjustments totaling \$353,315 were necessary in order for the fiscal court's financial statement to accurately reflect disbursements. In particular, a large amount pertaining to a debt refinance was omitted from the disbursements ledger.

According to the treasurer, she did not realize the amount needed to be posted to the ledger as part of the refinanced debt transaction. In addition, the fiscal court did not have adequate internal controls, oversight, and review procedures in place to ensure financial activity was accurately recorded and reported in accordance with the uniform system of accounts as required.

As a result, a material disbursement was omitted from the disbursements ledger resulting in the financial statement being materially misstated. Inaccurate financial reporting is problematic because the commissioners and county judge/executive rely on financial data presented to them to be complete and accurate in order to make prudent financial decisions on behalf of the county and taxpayers. Furthermore, external organizations such as DLG may use and rely on financial information reported by the fiscal court so accurate financial reporting should be a priority.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* requires officials to submit quarterly reports to the Department for Local Government by the 20th day following the close of each quarter. The uniform system of accounts has specific requirements on how to record various types of transactions for different funds and fund types. The most basic requirement of the uniform system of accounts is that all transactions are recorded and classified correctly.

We recommend the county treasurer ensure all transactions are posted to the ledgers, as well as ensure that receipts and disbursements are categorized correctly to prevent necessary adjustments. Each adjustment made by auditors has been presented to and reviewed with the county treasurer. We recommend the county treasurer use these adjustments as guidance when preparing future financial statements. In addition, we recommend the fiscal court establish adequate internal controls, oversight, and review procedures to ensure that all financial data is completely and accurately recorded and reported.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: This was an oversight and has since been corrected.

2021-002 The Fourth Quarter Liabilities Journal Was Materially Misstated

The liabilities journal did not reconcile to the fiscal court's debt schedules, materially misstating debt obligations. First mortgage revenue bonds, series 2014, principal was understated \$353,194. The fiscal court failed to have controls in place to ensure the fourth quarter report liabilities journal was being reconciled to the debt amortization schedules. As a result, liabilities information is not accurately presented to the fiscal court, Department for Local Government, and any other individuals interested in the fiscal court's financial condition.

LEWIS COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2021
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2021-002 The Fourth Quarter Liabilities Journal Was Materially Misstated (Continued)

The Department for Local Government, under the authority of KRS 68.210, gives the state local finance officer the authority to prescribe a uniform system of accounts. As outlined in the *County Budget Preparation and State Local Finance Officer Policy Manual*, the uniform system of accounts requires the debt section of the fourth quarter financial report to be utilized for reporting all current long-term debt, including public corporation bonds, general obligation bonds, government leasing act issues and bond anticipation notes. The liabilities information reported needs to be accurate.

We recommend the fiscal court ensure all debt payments are accounted for and reported accurately on the liabilities journal.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: This was an oversight and has since been corrected.

2021-003 The Fiscal Court Did Not Properly Budget For And Record All Debt-Related Disbursements

This is a repeat finding and was included in the prior year audit report as finding 2020-005. The fiscal court did not comply with reporting requirements for debt bearing the fiscal court's name. During the year, an amount wired to pay off the Detention Center Renovations KADD Lease was not posted to the fiscal court's disbursements ledger. This transaction did not run through the fiscal court's bank account, and was not included in the budget process, or reflected on the fiscal court's fourth quarter financial report. As a result, the fiscal court failed to properly budget for and record the debt-related disbursement in the jail fund of \$360,000 that resulted in appropriations in excess of budget in the debt service category by \$352,814. The occurrence resulted in the liabilities information not accurately being presented to management, regulatory agencies, and other users of the information. Also, adjustments to include this activity on the fourth quarter financial report resulted in county appropriations exceeding the approved budget.

KRS 68.300 states, "[a]ny appropriation made or claim allowed by the fiscal court in excess of any budget fund, and any warrant or contract not made within the budget appropriations, shall be void." KRS 68.280 gives fiscal courts the ability to amend the budget when necessary, which would have prevented appropriations from exceeding the approved budget. Because the fiscal court is obligated for these financing obligations, all debt should be budgeted for and recorded.

We recommend the fiscal court comply with KRS 68.300 and KRS 68.280 by budgeting all disbursements and amending the budget as necessary to reflect unanticipated receipts and disbursements.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: This was an oversight and has since been corrected.

LEWIS COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2021
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2021-004 The Fiscal Court Failed To Properly Approve, Record, And Pay All Disbursements Timely

The fiscal court issued purchase orders dated after the invoice date for 20 disbursements, failed to pay two invoices within 30 days of the invoice date and did not properly record ten invoices. A lack of understanding by management and lack of controls over purchasing contributed to the county issuing purchase orders after the date of purchase, not paying invoices timely and not recording invoices properly. As a result, the fiscal court's appropriation line items may be depleted or in a negative balance due to not ensuring funds are available at the time of purchase, the users of the information are misled by recording errors, and vendors do not receive payments timely.

According to a memorandum from the Department for Local Government (DLG) dated August 4, 2016, "The main purpose of this system is to ensure that purchases can be made if there are sufficient appropriations available within the amount of line items in the county's budget. Because of this, it is a requirement by the State Local Finance Officer that all counties have a purchase order system and follow the guidelines prescribed on Page 54 of the County Budget Preparation and State Local Finance Officer Policy Manual". Furthermore, DLG highly recommends that counties accept the practice of issuing purchase orders for payroll and utility claims.

We recommend the fiscal court comply with DLG by issuing purchase orders on all disbursements, strengthen controls over recording transactions to ensure proper posting to accounts, and pay invoices timely.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: This was an oversight and has since been corrected.

2021-005 The Jail Commissary Lacks Segregation Of Duties Over Receipts, Disbursements, And Bank Reconciliation Processes

This is a repeat finding and was included in the prior year audit report as finding 2020-004. A lack of segregation of duties existed over jail commissary receipts, disbursements, and bank reconciliations. The jail commissary bookkeeper recorded receipts, prepared deposits, prepared the monthly receipt ledger, recorded entries on inmate accounts, prepared checks for disbursements, prepared the monthly disbursement ledger, and performed the monthly bank reconciliations. The official did not have controls in place to ensure that the same person did not perform all jail commissary accounting functions. When one employee is responsible for the receipt, disbursement, and reconciliation process, the risk of misappropriation of assets, error, and inaccurate financial reporting increases.

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

LEWIS COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2021
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2021-005 The Jail Commissary Lacks Segregation of Duties Over Receipts, Disbursements, And Bank Reconciliation Processes (Continued)

Some controls the jailer could implement are as follows:

- Triplicate receipts could be compared to the inmate account sheets and attached to deposit slips and reviewed by an independent person.
- Commissary sales amounts could be compared to inmate accounts in the system for agreement. Any differences should be reconciled.
- Any voided receipts should state reason why and then reviewed, initialed, and dated by an independent person.
- Supporting documentation for disbursements and invoices should be reviewed by the jailer prior to payment.
- The jailer, or his designee, could complete bank reconciliations or review the bookkeeper's reconciliations for accuracy.

We recommend if these duties cannot be segregated due to limited number of staff or budget, strong oversight should be provided over the employee(s) responsible for these duties. Any compensating controls performed should be documented by the reviewer's initials and date on applicable documentation.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: This was an oversight and has since been corrected.

Jailer's Response: Just an oversight.

2021-006 The Jailer Did Not Deposit Receipts Intact On A Daily Basis

This is a repeat finding and was included in the prior year audit report as finding 2020-002. The Lewis County Jailer did not properly deposit receipts intact on a daily basis.

Deposits are not being deposited timely due to lack of oversight by the jailer. When receipts are not deposited daily there is an increase in the risk of misappropriation of cash and the risk that the bank account can be overdrawn is increased. The practice of making daily deposits reduces these risks.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in the *County Budget Preparation and State Local Finance Officer Policy Manual* requires daily deposits intact into a federally insured banking institution.

We recommend the jailer deposit receipts intact on a daily basis to comply with the guidelines prescribed by the state local finance officer.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: This was an oversight and has since been corrected.

Jailer's Response: Just an oversight.

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

LEWIS COUNTY FISCAL COURT

For The Year Ended June 30, 2021

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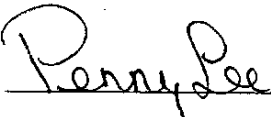
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
LEWIS COUNTY FISCAL COURT

For The Year Ended June 30, 2021

The Lewis 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