

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

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



**MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS  
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## CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT .....	1
LINCOLN COUNTY OFFICIALS .....	5
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - REGULATORY BASIS.....	8
NOTES TO FINANCIAL STATEMENT.....	11
BUDGETARY COMPARISON SCHEDULES.....	33
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES .....	41
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS .....	45
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS .....	46
SCHEDULE OF CAPITAL ASSETS.....	49
NOTES TO OTHER INFORMATION - REGULATORY BASIS SCHEDULE OF CAPITAL ASSETS.....	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 <i>GOVERNMENT AUDITING STANDARDS</i> .....	53
REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE .....	57
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	63
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	

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**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 Jim W. Adams, Lincoln County Judge/Executive

Members of the Lincoln 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 Lincoln County Fiscal Court, for the year ended June 30, 2022, and the related notes to the financial statement, which collectively comprise the Lincoln County Fiscal Court's financial statement as listed in the table of contents.

***Unmodified Opinion on Regulatory Basis of Accounting***

In our opinion, the accompany financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and changes in fund balances – regulatory basis of the Lincoln 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 Lincoln 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 the Lincoln County Fiscal Court and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



To the People of Kentucky  
 The Honorable Andy Beshear, Governor  
 Holly M. Johnson, Secretary  
 Finance and Administration Cabinet  
 The Honorable Jim W. Adams, Lincoln County Judge/Executive  
 Members of the Lincoln 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 Lincoln 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***

Lincoln 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 Lincoln 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 Lincoln 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 Jim W. Adams, Lincoln County Judge/Executive  
 Members of the Lincoln 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 Lincoln 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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2022, on our consideration of the Lincoln 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 Lincoln County Fiscal Court's internal control over financial reporting and compliance.

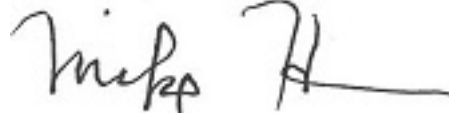
To the People of Kentucky  
The Honorable Andy Beshear, Governor  
Holly M. Johnson, Secretary  
Finance and Administration Cabinet  
The Honorable Jim W. Adams, Lincoln County Judge/Executive  
Members of the Lincoln County Fiscal Court

**Other Reporting Required by *Government Auditing Standards* (Continued)**

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

- 2022-001 The Lincoln County Fiscal Court Lacks Adequate Segregation Of Duties Over Receipts And Reconciliations
- 2022-002 The Lincoln County Fiscal Court Does Not Have Internal Controls In Place To Ensure Accurate Financial Reporting And Submission Of The Schedule Of Expenditures Of Federal Awards
- 2022-003 The Lincoln County Fiscal Court Did Not Follow Proper Bidding Procedures

Respectfully submitted,

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

Mike Harmon  
Auditor of Public Accounts  
Frankfort, Ky

November 15, 2022

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

Jim W. Adams	County Judge/Executive
David Faulkner	Deputy Judge/Magistrate
Jeff Ruckel	Magistrate
Joseph Stanley	Magistrate
Lonnie Pruitt	Magistrate

**Other Elected Officials:**

Daryl Day	County Attorney
Rob Wilson	Jailer
George Spoonamore, IV	County Clerk
Angelia Doolin	Circuit Court Clerk
Curt Folger	Sheriff
David Gambrel	Property Valuation Administrator
Farris Marcum	Coroner

**Appointed Personnel:**

Mary Hopkins	County Treasurer
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**LINCOLN COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**

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

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

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

	<b>Budgeted Funds</b>			<b>Local Government Economic Assistance Fund</b>
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	
<b>RECEIPTS</b>				
Taxes	\$ 3,607,346	\$	\$	\$
Excess Fees	284,203			
Licenses and Permits	41,261			
Intergovernmental	278,716	1,929,775	98,562	239
Charges for Services	148,091		117	
Miscellaneous	184,447	77,725	26,442	
Interest	3,066	59	17	
Total Receipts	4,547,130	2,007,559	125,138	239
<b>DISBURSEMENTS</b>				
Current:				
General Government	1,228,291			
Protection to Persons and Property	122,319		825,476	
General Health and Sanitation	352,265	154,993		
Social Services	121,942			
Recreation and Culture	71,609	5,420		
Roads		1,498,518		
Debt Service	67,516	30,778		
Capital Projects	18,058	242,296		
Administration	1,084,140	351,786	94,885	
Total Disbursements	3,066,140	2,283,791	920,361	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	1,480,990	(276,232)	(795,223)	239
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds		550,000	725,000	
Transfers To Other Funds	(1,527,914)			
Total Other Adjustments to Cash (Uses)	(1,527,914)	550,000	725,000	
Net Change in Fund Balance	(46,924)	273,768	(70,223)	239
Fund Balance - Beginning (Restated)	3,136,146	135,088	205,112	1,592
Fund Balance - Ending	\$ 3,089,222	\$ 408,856	\$ 134,889	\$ 1,831
<b>Composition of Fund Balance</b>				
Bank Balance	\$ 2,658,729	\$ 440,259	\$ 145,917	\$ 1,831
Less: Outstanding Checks	(83,156)	(31,403)	(11,028)	
Certificate of Deposit	513,649			
Fund Balance - Ending	\$ 3,089,222	\$ 408,856	\$ 134,889	\$ 1,831

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

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

Budgeted Funds				Unbudgeted Funds		
Federal Grant Fund	Parks and Recreation Fund	Insurance Fund	American Rescue Plan Act Fund	Solid Waste Fund	Public Properties Corporation Fund	Total Funds
\$	\$	\$	\$	\$	\$	\$ 3,607,346
						284,203
						41,261
1,601,819		93,629	2,384,177	51,960	125,125	6,564,002
	40,822			276		189,306
	32,724					321,338
	5	448	6,037		1	9,633
1,601,819	73,551	94,077	2,390,214	52,236	125,126	11,017,089
			6,800			1,235,091
						947,795
			59,231			566,489
						121,942
	202,928		188,806			468,763
			473,110			1,971,628
	178,630				125,125	402,049
1,601,819						1,862,173
	49,947	14,464	244			1,595,466
1,601,819	431,505	14,464	728,191		125,125	9,171,396
	(357,954)	79,613	1,662,023	52,236	1	1,845,693
	235,664			17,250		1,527,914
						(1,527,914)
	235,664			17,250		
	(122,290)	79,613	1,662,023	69,486	1	1,845,693
21,600	154,835	132,713			3,445	3,790,531
\$ 21,600	\$ 32,545	\$ 212,326	\$ 1,662,023	\$ 69,486	\$ 3,446	\$ 5,636,224
\$ 21,600	\$ 33,713	\$ 212,326	\$ 1,699,778	\$ 69,486	\$ 3,446	\$ 5,287,085
	(1,168)		(37,755)			(164,510)
						513,649
\$ 21,600	\$ 32,545	\$ 212,326	\$ 1,662,023	\$ 69,486	\$ 3,446	\$ 5,636,224

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 .....	11
NOTE 2.	DEPOSITS .....	14
NOTE 3.	TRANSFERS.....	14
NOTE 4.	LEASES .....	14
NOTE 5.	LONG-TERM DEBT .....	17
NOTE 6.	CHANGES IN NOTES RECEIVABLE .....	25
NOTE 7.	EMPLOYEE RETIREMENT SYSTEM .....	25
NOTE 8.	DEFERRED COMPENSATION.....	28
NOTE 9.	HEALTH REIMBURSEMENT ACCOUNT .....	28
NOTE 10.	SELF-INSURANCE PLAN .....	28
NOTE 11.	INSURANCE.....	29
NOTE 12.	RELATED PARTY TRANSACTIONS.....	29
NOTE 13.	ADJUSTMENTS TO PRIOR YEAR .....	29
NOTE 14.	CONDUIT DEBT.....	29

**LINCOLN COUNTY**  
**NOTES TO FINANCIAL STATEMENT**

**June 30, 2022**

**Note 1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

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

**B. Basis of Accounting**

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

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

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

**C. Basis of Presentation**

**Budgeted Funds**

The fiscal court reports the following budgeted funds:

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

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

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

**LINCOLN 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)**

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.

Federal Grant Fund -The primary purpose of this fund is to account for grant activity of the county. The primary source of receipts for this fund is federal grants.

Parks and Recreation Fund -The primary purpose of this fund is to account for parks activity and recreation programs of the county. The primary sources of receipts for this fund are charges for services and transfers from the fiscal court.

Insurance Fund - The primary purpose of this fund is to account for some insurance proceeds of the county. The primary source of receipts for this fund is insurance proceeds.

American Rescue Plan Act Fund - The primary purpose of this fund is to support counties response to and recovery from the COVID-19 public health emergency. The primary source of receipts for this fund is federal funds.

**Unbudgeted Funds**

The fiscal court reports the following unbudgeted funds:

Solid Waste Fund - The primary purpose of this fund is to account for recycling and solid waste fee money collected from businesses and individuals. The primary sources of receipts for this fund are local citizens and state grant funding. This fund wasn't budgeted due to no disbursements for the fiscal year.

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.

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

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Budgetary Information (Continued)**

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. Lincoln County Elected Officials**

Kentucky law provides for election of the officials listed below from the geographic area constituting Lincoln 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 Lincoln 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. Related Obligations**

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following is considered a related organization of the Lincoln County Fiscal Court: Lincoln County Sanitation District.

**LINCOLN 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	Total Transfers In
Road Fund	\$ 550,000	\$ 550,000
Jail Fund	725,000	725,000
Solid Waste Fund	17,250	17,250
Parks and Recreation Fund	235,664	235,664
Total Transfers Out	<u>\$ 1,527,914</u>	<u>\$ 1,527,914</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**

- On August 7, 2012, the Lincoln County Public Properties Corporation (the corporation), a blended component unit of the fiscal court, began leasing the judicial center to the Administrative Office of the Courts of the Commonwealth of Kentucky (AOC). The lease is for two years and the rental payments shall agree to the annual principal and interest costs on the bonds issued for the construction of the building. On July 1 of each even numbered year, the lease may be renewed by the AOC for another biennial period of two years.

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

**Note 4. Leases (Continued)**

**A. Lessor (Continued)**

1. (Continued)

The lease renewal shall automatically be considered to have been affirmatively exercised each even numbered year by AOC, unless notice of its election not to exercise the option for the biennial period be given by AOC to the corporation, the trustee, and the county in writing at least 60 days prior to the renewal date hereof. The corporation recognized \$125,125 in lease revenue during the current fiscal year. As of June 30, 2022, the corporation's receivable for lease payments was \$247,000.

**B. Lessee**

1. On March 25, 2020, the Lincoln County Fiscal Court entered into a five-year lease agreement as lessee for the acquisition and use of a truck for the emergency management administrator. An initial lease liability was recorded in the amount of \$35,126 during fiscal year 2020. The Lincoln County Fiscal Court is required to make monthly principal payments of \$585. As of June 30, 2022, the value of the lease liability was \$19,319.

The future principal and interest lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended June 30,	Amount
2023	\$ 7,025
2024	7,025
2025	<u>5,269</u>
Totals	<u>\$ 19,319</u>

2. On March 25, 2020, the Lincoln County Fiscal Court entered into a five-year lease agreement as lessee for the acquisition and use of a truck for the emergency management assistant. An initial lease liability was recorded in the amount of \$35,126 during fiscal year 2020. The Lincoln County Fiscal Court is required to make monthly principal payments of \$585. As of June 30, 2022, the value of the lease liability was \$19,319.

The future principal and interest lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended June 30,	Amount
2023	\$ 7,025
2024	7,025
2025	<u>5,269</u>
Totals	<u>\$ 19,319</u>

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

**Note 4. Leases (Continued)**

**B. Lessee (Continued)**

3. On July 14, 2017, the Lincoln County Fiscal Court entered into a five-year lease agreement as lessee for the acquisition and use of a truck for the road department. An initial lease liability was recorded in the amount of \$74,020 during fiscal year 2018. The Lincoln County Fiscal Court is required to make monthly principal payments of \$1,234. As of June 30, 2022, the value of the lease liability was \$1,234.

The future principal and interest lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended June 30,	Amount
2023	\$ 1,234
Totals	<u>\$ 1,234</u>

4. On July 13, 2018, the Lincoln County Fiscal Court entered into a five-year lease agreement as lessee for the acquisition and use of a truck for the road department. An initial lease liability was recorded in the amount of \$79,680 during fiscal year 2019. The Lincoln County Fiscal Court is required to make monthly principal payments of \$1,328. As of June 30, 2022, the value of the lease liability was \$17,264.

The future principal and interest lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended June 30,	Amount
2023	\$ 15,936
2024	<u>1,328</u>
Totals	<u>\$ 17,264</u>

5. On January 15, 2019, the Lincoln County Fiscal Court entered into a three-year lease agreement as lessee for the acquisition and use of a copier. An initial lease liability was recorded in the amount of \$3,924 during fiscal year 2019. The Lincoln County Fiscal Court is required to make monthly principal payments of \$109. As of June 30, 2022, the value of the lease liability was \$0.
6. On August 15, 2019, the Lincoln County Fiscal Court entered into a five-year lease agreement as lessee for the acquisition and use of a copier. An initial lease liability was recorded in the amount of \$7,987 during fiscal year 2020. The Lincoln County Fiscal Court is required to make monthly principal payments of \$133. As of June 30, 2022, the value of the lease liability was \$3,327.

The future principal and interest lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended June 30,	Amount
2023	\$ 1,597
2024	1,597
2025	<u>133</u>
Totals	<u>\$ 3,327</u>

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

**Note 4. Leases**

**B. Lessee (Continued)**

7. On June 30, 2020, the Lincoln County Fiscal Court entered into a five-year lease agreement as lessee for the acquisition and use of a postage meter. An initial lease liability was recorded in the amount of \$4,844 during fiscal year 2020. The Lincoln County Fiscal Court is required to make quarterly principal payments of \$242. As of June 30, 2022, the value of the lease liability was \$2,664.

The future principal and interest lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended June 30,	Amount
2023	\$ 2,422
2024	242
Totals	<u>\$ 2,664</u>

**Note 5. Long-term Debt**

**A. Direct Borrowings and Direct Placements**

**1. Emergency Communications Building Renovation (Financing Obligation and Note Receivable)**

On February 14, 2005, the Lincoln County Fiscal Court entered into a 20-year agreement with KACO Leasing Trust for renovations to the Emergency Communications Building in the amount of \$130,295. Principal payments are due annually by July 20 and interest payments are due monthly. The county subsequently entered into a verbal agreement with the Emergency Communication Commission, which reimburses the county for the payments.

Whenever any event of default has occurred and is continuing, the lessor may, without any further demand or notice, take one or any combination of the following remedial steps:

- (a) 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;
- (b) sell or re-lease the project or any portion thereof;
- (c) recover from the lessee:
  - a. the lease rental payment which would otherwise have been payable hereunder during any period in which the lessee continues to use, occupy or retain possession of the project; and
  - b. lease rental payments which would otherwise have been payable hereunder after the lessee vacates or surrenders the project during the remainder of the fiscal year in which such event of default occurs; or
- (d) take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the project under this lease and any collateral documents (including, without limitation, the right to possession of the project and the right to sell or re-lease or otherwise dispose of the project in accordance with applicable law), subject, however to the limitations contained in this lease with respect to the lessee's obligations upon the occurrence of an event of nonappropriation; and/or take whatever action at law or in equity may appear necessary or desirable to enforce performance by the lessee of the applicable covenants and agreements of the lessee under this lease (subject, however, to the limitations thereon contained in this lease) and to recover damages for the breach thereof.

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

**Note 5. Long-term Debt (Continued)**

**A. Direct Borrowings and Direct Placements (Continued)**

**1. Emergency Communications Building Renovation (Financing Obligation and Note Receivable) (Continued)**

No remedy herein conferred upon or reserved to the lessor is intended to be exclusive, and every such remedy will be cumulative and will be in addition to every other remedy given hereunder and every remedy now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default will impair any such right and power may be exercised from time to time as often as may be deemed expedient. If any agreement contained herein should be breached by either party and thereafter waived by the other party, such waiver will be limited to the particular breach so waived and will not be deemed to waive any other breach hereunder.

The lessee will remain liable for all covenants and obligations under this lease, and for all legal fees and other costs and expenses, including court costs awarded by a court of competent jurisdiction, incurred by the lessor with respect to the enforcement of any of the remedies under this lease, when a court of competent jurisdiction has finally adjudicated that an event of default has occurred. The outstanding principal balance as of June 30, 2022 is \$25,295. Future principal and interest requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2023	\$ 10,000	\$ 1,025
2024	10,000	400
2025	5,295	29
Totals	<u>\$ 25,295</u>	<u>\$ 1,454</u>

**2. Fire Station (Financing Obligation and Note Receivable)**

On August 31, 2004, the Lincoln County Fiscal Court entered into a 20-year agreement with KACO Leasing Trust for the acquisition of land for a county fire station in the amount of \$190,000. Principal and interest payments are due monthly. The county subsequently entered into a verbal agreement with the fire district, which reimburses the county for the payments.

Whenever any event of default has occurred and is continuing, the lessor may, without any further demand or notice, take one or any combination of the following remedial steps:

- (a) 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;
- (b) sell or re-lease the project or any portion thereof;
- (c) recover from the lessee:
  - a. the lease rental payment which would otherwise have been payable hereunder during any period in which the lessee continues to use, occupy or retain possession of the project; and
  - b. lease rental payments which would otherwise have been payable hereunder after the lessee vacates or surrenders the project during the remainder of the fiscal year in which such event of default occurs;
 or

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

**Note 5. Long-term Debt (Continued)**

**A. Direct Borrowings and Direct Placements (Continued)**

**2. Fire Station (Financing Obligation and Note Receivable) (Continued)**

- (d) take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the project under this lease and any collateral documents (including, without limitation, the right to possession of the project and the right to sell or re-lease or otherwise dispose of the project in accordance with applicable law), subject, however to the limitations contained in this lease with respect to the lessee's obligations upon the occurrence of an event of nonappropriation; and/or take whatever action at law or in equity may appear necessary or desirable to enforce performance by the lessee of the applicable covenants and agreements of the lessee under this lease (subject, however, to the limitations thereon contained in this lease) and to recover damages for the breach thereof.

No remedy herein conferred upon or reserved to the lessor is intended to be exclusive, and every such remedy will be cumulative and will be in addition to every other remedy given hereunder and every remedy now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default will impair any such right and power may be exercised from time to time as often as may be deemed expedient. If any agreement contained herein should be breached by either party and thereafter waived by the other party, such waiver will be limited to the particular breach so waived and will not be deemed to waive any other breach hereunder.

The lessee will remain liable for all covenants and obligations under this lease, and for all legal fees and other costs and expenses, including court costs awarded by a court of competent jurisdiction, incurred by the lessor with respect to the enforcement of any of the remedies under this lease, when a court of competent jurisdiction has finally adjudicated that an event of default has occurred. The outstanding principal balance as of June 30, 2022 is \$29,176. Future principal and interest requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2023	\$ 12,639	\$ 1,490
2024	13,162	685
2025	<u>3,375</u>	<u>41</u>
Totals	<u>\$ 29,176</u>	<u>\$ 2,216</u>

**3. Park Lighting**

On October 6, 2008, the Lincoln County Fiscal Court entered into a 27-year agreement with KACO Leasing Trust for lighting in the county park in the amount of \$425,000. Principal payments are due annually by January 20 and interest payments are due monthly.

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

**5. Long-term Debt (Continued)**

**A. Direct Borrowings and Direct Placements (Continued)**

**3. Park Lighting (Continued)**

Whenever any event of default has occurred and is continuing, the lessor may, without any further demand or notice, take one or any combination of the following remedial steps:

- (a) 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;
- (b) sell or re-lease the project or any portion thereof;
- (c) recover from the lessee:
  - a. the lease rental payment which would otherwise have been payable hereunder during any period in which the lessee continues to use, occupy or retain possession of the project; and
  - b. lease rental payments which would otherwise have been payable hereunder after the lessee vacates or surrenders the project during the remainder of the fiscal year in which such event of default occurs; or
- (d) Terminate the lease term and give notice to the lessee to vacate or surrender the project within sixty days from the date of such notice;
- (e) sell or re-lease the project or any portion thereof;
- (f) recover from the lessee:
  - a. the lease rental payment which would otherwise have been payable hereunder during any period in which the lessee continues to use, occupy or retain possession of the project; and
  - b. lease rental payments which would otherwise have been payable hereunder after the lessee vacates or surrenders the project during the remainder of the fiscal year in which such event of default occurs; or
- (g) take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the project under this lease and any collateral documents (including, without limitation, the right to possession of the project and the right to sell or re-lease or otherwise dispose of the project in accordance with applicable law), subject, however to the limitations contained in this lease with respect to the lessee's obligations upon the occurrence of an event of non-appropriation; and/or take whatever action at law or in equity may appear necessary or desirable to enforce performance by the lessee of the applicable covenants and agreements of the lessee under this lease (subject, however, to the limitations thereon contained in this lease) and to recover damages for the breach thereof.

No remedy herein conferred upon or reserved to the lessor is intended to be exclusive, and every such remedy will be cumulative and will be in addition to every other remedy given hereunder and every remedy now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default will impair any such right and power may be exercised from time to time as often as may be deemed expedient. If any agreement contained herein should be breached by either party and thereafter waived by the other party, such waiver will be limited to the particular breach so waived and will not be deemed to waive any other breach hereunder.

The lessee will remain liable for all covenants and obligations under this lease, and for all legal fees and other costs and expenses, including court costs awarded by a court of competent jurisdiction, incurred by the lessor with respect to the enforcement of any of the remedies under this lease, when a court of competent jurisdiction has finally adjudicated that an event of default has occurred. The outstanding principal balance as of June 30, 2022 is \$270,000. Future principal and interest requirements are:

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

**5. Long-term Debt (Continued)**

**A. Direct Borrowings and Direct Placements (Continued)**

**3. Park Lighting (Continued)**

Fiscal Year Ending June 30	Principal	Scheduled Interest
2023	\$ 15,000	\$ 16,834
2024	15,000	15,915
2025	15,000	14,942
2026	15,000	14,012
2027	15,000	13,072
2028-2032	90,000	49,946
2033-2037	105,000	19,009
Totals	<u>\$ 270,000</u>	<u>\$ 143,730</u>

**4. Voting Machines**

On April 14, 2021, the Lincoln County Fiscal Court entered into a five-year agreement with KACO Leasing Trust for voting machines for the county clerk's office in the amount of \$122,084. Principal and interest payments are due monthly.

Whenever any event of default has occurred and is continuing, the lessor may, without any further demand or notice, take one or any combination of the following remedial steps:

- (a) 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;
- (b) by written notice to lessee, enter and take immediate possession of the project.
- (c) recover from the lessee:
  - a. the lease rental payment which would otherwise have been payable hereunder during any period in which the lessee continues to use, occupy or retain possession of the project; and
  - b. lease payments which would otherwise have been payable hereunder after the lessee vacates or surrenders the project during the remainder of the fiscal year in which such event of default occurs; or
- (d) sell or lease the project or sublease it for the account of lessee, holding lessee liable for all lease payments and other payments due during the remaining lease term to the extent that such selling, leasing or subleasing fails to provide amount which are sufficient to pay the remaining lease payments when due, with any proceeds of the sale of the project being applied first to all past due lease payment and then to the portion of lease payments applicable to the principal component in inverse order of their due date; and
- (e) Exercise any other right, remedy or privilege which may be available to it under the applicable laws of the Commonwealth or any other applicable law, subject to the limitations contained in this lease with respect to the lessee's obligations upon the occurrence of an event of nonappropriation; or proceed by any court action to enforce the terms of this lease or to recover damages for the breach of this lease or to rescind this lease as to any or all of the project, including, but not limited to, any one or more remedial steps available to secured parties under Article 9 of the UCC and which are otherwise accorded to lessor by applicable law.

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

**Note 5. Long-term Debt (Continued)**

**A. Direct Borrowings and Direct Placements (Continued)**

**4. Voting Machines (Continued)**

The lessee will remain liable for all covenants and obligations under this lease, and for all legal fees and other legal fees and other costs and expenses, including court costs awarded by a court of competent jurisdiction, incurred by the lessor with respect to the enforcement of any of the remedies under this lease, when a court of competent jurisdiction has finally adjudicated that an event of default has occurred. The outstanding principal balance as of June 30, 2022 is \$69,181. Future principal and interest requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2023	\$ 24,417	\$ 2,117
2024	24,417	1,229
2025	<u>20,347</u>	<u>341</u>
Totals	<u>\$ 69,181</u>	<u>\$ 3,687</u>

**B. Other Debt**

**1. General Obligation Improvement Bonds, Series 2012**

On March 14, 2012, the Lincoln County Fiscal Court issued general obligation improvement bonds, series 2012, in the principal amount of \$1,460,000 for the purpose of refunding the general obligation improvement bonds, series 2004. Principal payments are due annually by August 1 and interest payments are due bi-annually on February 1 and August 1.

In the event of a failure of the county to comply with any provision of this agreement, the bondholder of any bond may seek specific performance by court order to cause the county to comply with its obligations under the agreement. A default under this agreement shall not be deemed an event of default under the Indenture or the loan agreement or any other agreement, and the sole remedy under the agreement in the event of any failure of the county to comply with this agreement shall be an action to compel performance. The outstanding principal balance as of June 30, 2022 is \$415,000. Future principal and interest requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2023	\$ 135,000	\$ 7,819
2024	135,000	4,781
2025	<u>145,000</u>	<u>1,631</u>
Totals	<u>\$ 415,000</u>	<u>\$ 14,231</u>

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

**Note 5. Long-term Debt (Continued)**

**B. Other Debt (Continued)**

**2. First Mortgage Refunding Revenue Bonds, Series 2012**

On August 7, 2012, the public properties corporation issued \$1,340,000 in first mortgage revenue refunding bonds, series 2012, with interest rates ranging between 2.00% and 2.75%. The corporation issued the bonds to advance refund \$1,300,000 of the outstanding first mortgage revenue bonds, series 2004, which had interest rates ranging between 2.00% and 4.60%. The corporation used the net proceeds to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the 2004 series bonds. As a result, that portion of the 2004 series bonds is considered defeased, and the corporation has removed the liability from its accounts.

Upon the happening and continuance of any event of default to protect and enforce its rights and the rights of the owners of the bonds by such of the following remedies, as the trustee, being advised by counsel, will deem most effectual to protect and enforce such rights:

By enforcement of the foreclosable mortgage lien on the project site and improvements granted by the mortgage, and in such event the trustee will take over possession, custody and control of the project and will operate or carry out decretal sale of same with due regard to state and federal law and the covenants contained in the lease for the benefit of the owners of the bonds. Provided, however, that no such foreclosure sale will result in a deficiency judgement of any type or in any amount against the county or the corporation, and until such sale the county may at any time by the discharge of the bonds and interest and any premium thereon receive an unencumbered fee simple title to the mortgaged facilities; provided that in the event of any such enforcement of said lien by the trustee, there will first be paid all expenses incident to said document, and thereafter the bonds then outstanding will be paid and retired;

- (a) By mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the owners of the bonds, including the right to require the corporation to enforce fully the lease and to charge, collect and fully account for the pledged receipts, and to require the corporation to carry out any and all other covenants or agreements with the bondholders and to perform its duties under the act;
- (b) By bringing suit upon the bonds;
- (c) By action or suit in equity, require the corporation to account as if it were the trustee of an express trust for the owners of the bonds;
- (d) By action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the owners of the bonds;
- (e) by declaring all bonds due and payable, and if all defaults will be made good, then, with the written consent of the owners of not less than twenty-five percent in a principal amount of the outstanding bonds, by annulling such declaration and its consequences; and
- (f) in the event that all bonds are declared due and payable, by selling investment obligations of the corporation (to the extent not theretofore set aside for redemption of the bonds for which call has been made) and enforcing all chooses in action of the corporation to the fullest legal extent in the name of the corporation for the use and benefit of the owners of the bonds.

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

**Note 5. Long-term Debt (Continued)**

**B. Other Debt (Continued)**

**2. First Mortgage Refunding Revenue Bonds, Series 2012 (Continued)**

In the enforcement of any rights and remedies under the mortgage, the trustee shall be entitled to sue for, enforce payment on and receive any and all amounts then or during any default becoming, and at any time remaining, due from the corporation for principal, interest or otherwise, under any provision of the mortgage or of the bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in the bonds, together with any and all costs and expenses of collection and of all proceedings hereunder and under the bonds, without prejudice to any other right or remedy of the trustee or of the bondholders, and to recover and enforce a judgment or decree against the corporation for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect from any moneys available for such purpose, in any manner provide by law, the moneys adjudged or decreed to be payable.

As of June 30, 2022, the outstanding principal balance is \$460,000. Future principal and interest requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2023	\$ 110,000	\$ 12,375
2024	115,000	9,625
2025	115,000	6,463
2026	<u>120,000</u>	<u>3,300</u>
Totals	<u>\$ 460,000</u>	<u>\$ 31,763</u>

**C. Changes In Long-term Debt**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General Obligation Bonds	\$ 550,000	\$	\$ 135,000	\$ 415,000	\$ 135,000
Revenue Bonds	570,000		110,000	460,000	110,000
Direct Borrowings and Direct Placement	<u>455,206</u>		<u>61,554</u>	<u>393,652</u>	<u>62,056</u>
Total Long-term Debt	<u>\$ 1,575,206</u>	<u>\$ 0</u>	<u>\$ 306,554</u>	<u>\$ 1,268,652</u>	<u>\$ 307,056</u>

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

**Note 5. Long-term Debt (Continued)**

**D. Aggregate Debt Schedules**

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

Fiscal Year Ended June 30	Other Debt		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2023	\$ 245,000	\$ 20,194	\$ 62,056	\$ 21,466
2024	250,000	14,406	62,579	18,229
2025	260,000	8,094	44,017	15,353
2026	120,000	3,300	15,000	14,012
2027			15,000	13,072
2028-2032			90,000	49,946
2033-2037			105,000	19,009
Totals	<u>\$ 875,000</u>	<u>\$ 45,994</u>	<u>\$ 393,652</u>	<u>\$ 151,087</u>

**Note 6. Changes in Notes Receivable**

Notes receivable activity for the year ended June 30, 2022 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Emergency Communication Commission	\$ 35,295	\$	\$ 10,000	\$ 25,295
Fire District	41,313		12,137	29,176
Total Long-term Debt	<u>\$ 76,608</u>	<u>\$ 0</u>	<u>\$ 22,137</u>	<u>\$ 54,471</u>

**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 \$577,757, FY 2021 was \$589,626, and FY 2022 was \$565,160.

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

**Note 7. Employee Retirement System (Continued)**

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 26.95 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:

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

**LINCOLN 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 (Continued)

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.

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.

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

**Note 7. Employee Retirement System (Continued)**

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 Lincoln 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. Health Reimbursement Account**

The Lincoln County Fiscal Court established a health reimbursement account to provide employees an additional health benefit. The county has contracted with a third-party administrator to administer the plan. The plan provides a debit card to each eligible employee providing \$1,000 for employees on a single plan and \$2,000 for employees which includes a dependent. The funds are to be used to pay for qualified medical expenses. Employees may also contribute additional pre-tax funds through payroll deduction. The balance of the plan is \$37,552.

**Note 10. Self-Insurance Plan**

The Lincoln County Fiscal Court implemented a self-insurance plan which utilized a third-party administrator to process claims. Under the plan, the fiscal court pays the cost of a single employee plan for all county employees and collects employee premiums for additional covered family members. The fiscal court then pays health insurance claims on a pay-as-you-go basis. The fiscal court uses a clearing account to deposit the premiums collected and to pay the fees and claims to the administrator. The reconciled balance in the health insurance clearing account was \$4,522 on June 30, 2022.

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

**Note 11. Insurance**

For the fiscal year ended June 30, 2022, the Lincoln 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 12. Related Party Transactions**

The son-in-law of one of the magistrates owns an engineering firm that performs work for the county. During the fiscal year ending June 30, 2022, the county paid this firm \$19,423.

**Note 13. Adjustments to Prior Year**

The beginning balance reported on the Statement of Receipts, Disbursements, and Changes in Fund Balances – Regulatory Basis for the general fund and road fund has been restated due to prior year voided checks. The beginning balance report on the Statement of Receipts, Disbursements, and Changes in Fund Balances Regulatory Basis for the jail fund and jail commissary fund have been restated due to the closing of the jail.

	General Fund	Road Fund	Jail Fund	Jail Commissary Fund	Total
Fund Balance - Ending	\$3,136,093	\$ 134,878	\$ 130,194	\$ 74,918	\$ 3,270,971
Add: Prior Year Voided Checks	53	210			263
Closure of Jail Commissary Fund to Jail Fund			74,918	(74,918)	
Fund Balance - Beginning (Restated)	<u>\$3,136,146</u>	<u>\$ 135,088</u>	<u>\$ 205,112</u>	<u>\$</u>	<u>\$ 3,271,234</u>

**Note 14. 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 Lincoln 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.

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**LINCOLN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**

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

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**LINCOLN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**

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

<b>GENERAL FUND</b>				
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>RECEIPTS</b>				
Taxes	\$ 2,248,000	\$ 2,248,000	\$ 3,607,346	\$ 1,359,346
Excess Fees	150,975	150,975	284,203	133,228
Licenses and Permits	31,000	31,000	41,261	10,261
Intergovernmental	209,820	231,114	278,716	47,602
Charges for Services	107,750	107,750	148,091	40,341
Miscellaneous	70,847	70,847	184,447	113,600
Interest	10,100	10,100	3,066	(7,034)
Total Receipts	2,828,492	2,849,786	4,547,130	1,697,344
<b>DISBURSEMENTS</b>				
General Government	1,244,276	1,449,362	1,228,291	221,071
Protection to Persons and Property	131,547	155,367	122,319	33,048
General Health and Sanitation	338,000	423,759	352,265	71,494
Social Services	120,000	126,000	121,942	4,058
Recreation and Culture	160,350	177,250	71,609	105,641
Debt Service	69,300	69,300	67,516	1,784
Capital Projects		18,100	18,058	42
Administration	1,309,153	1,208,258	1,084,140	124,118
Total Disbursements	3,372,626	3,627,396	3,066,140	561,256
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(544,134)	(777,610)	1,480,990	2,258,600
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds	(2,155,856)	(2,155,856)	(1,527,914)	627,942
Total Other Adjustments to Cash (Uses)	(2,155,856)	(2,155,856)	(1,527,914)	627,942
Net Change in Fund Balance	(2,699,990)	(2,933,466)	(46,924)	2,886,542
Fund Balance - Beginning (Restated)	2,699,990	3,129,990	3,136,146	6,156
Fund Balance - Ending	\$ 0	\$ 196,524	\$ 3,089,222	\$ 2,892,698

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

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,570,725	\$ 1,616,725	\$ 1,929,775	\$ 313,050
Miscellaneous	25,000	203,918	77,725	(126,193)
Interest	30	30	59	29
Total Receipts	<u>1,595,755</u>	<u>1,820,673</u>	<u>2,007,559</u>	<u>186,886</u>
<b>DISBURSEMENTS</b>				
General Health and Sanitation	80,000	181,520	154,993	26,527
Recreation and Culture	5,270	6,570	5,420	1,150
Roads	1,573,200	1,794,698	1,498,518	296,180
Debt Service	31,000	31,000	30,778	222
Capital Projects	242,296	242,296	242,296	
Administration	470,200	464,300	351,786	112,514
Total Disbursements	<u>2,401,966</u>	<u>2,720,384</u>	<u>2,283,791</u>	<u>436,593</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(806,211)</u>	<u>(899,711)</u>	<u>(276,232)</u>	<u>623,479</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	<u>756,211</u>	<u>756,211</u>	<u>550,000</u>	<u>(206,211)</u>
Total Other Adjustments to Cash (Uses)	<u>756,211</u>	<u>756,211</u>	<u>550,000</u>	<u>(206,211)</u>
Net Change in Fund Balance	(50,000)	(143,500)	273,768	417,268
Fund Balance - Beginning (Restated)	<u>50,000</u>	<u>50,000</u>	<u>135,088</u>	<u>85,088</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (93,500)</u>	<u>\$ 408,856</u>	<u>\$ 502,356</u>

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

	<b>JAIL FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental	\$ 45,000	\$ 45,000	\$ 98,562	\$ 53,562
Charges for Services			117	117
Miscellaneous		74,900	26,442	(48,458)
Interest			17	17
Total Receipts	<u>45,000</u>	<u>119,900</u>	<u>125,138</u>	<u>5,238</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	960,400	1,017,874	825,476	192,398
Administration	<u>113,450</u>	<u>178,810</u>	<u>94,885</u>	<u>83,925</u>
Total Disbursements	<u>1,073,850</u>	<u>1,196,684</u>	<u>920,361</u>	<u>276,323</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,028,850)</u>	<u>(1,076,784)</u>	<u>(795,223)</u>	<u>281,561</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	<u>978,850</u>	<u>978,850</u>	<u>725,000</u>	<u>(253,850)</u>
Total Other Adjustments to Cash (Uses)	<u>978,850</u>	<u>978,850</u>	<u>725,000</u>	<u>(253,850)</u>
Net Change in Fund Balance	(50,000)	(97,934)	(70,223)	27,711
Fund Balance - Beginning (Restated)	<u>50,000</u>	<u>50,000</u>	<u>205,112</u>	<u>155,112</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (47,934)</u>	<u>\$ 134,889</u>	<u>\$ 182,823</u>

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

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 400	\$ 400	\$ 239	\$ (161)
Total Receipts	400	400	239	(161)
<b>DISBURSEMENTS</b>				
Roads	1,990	1,990		1,990
Total Disbursements	1,990	1,990		1,990
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,590)	(1,590)	239	1,829
Net Change in Fund Balance	(1,590)	(1,590)	239	1,829
Fund Balance - Beginning	1,590	1,590	1,592	2
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,831	\$ 1,831

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

	<b>FEDERAL GRANT FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental	\$ 2,137,825	\$ 2,337,825	\$ 1,601,819	\$ (736,006)
Total Receipts	2,137,825	2,337,825	1,601,819	(736,006)
<b>DISBURSEMENTS</b>				
Social Services		200,000		200,000
Capital Projects	2,159,425	2,159,425	1,601,819	557,606
Total Disbursements	2,159,425	2,359,425	1,601,819	757,606
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(21,600)	(21,600)		21,600
Net Change in Fund Balance	(21,600)	(21,600)		21,600
Fund Balance - Beginning	21,600	21,600	21,600	
Fund Balance - Ending	\$ 0	\$ 0	\$ 21,600	\$ 21,600

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

**PARKS AND RECREATION FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Charges for Services	\$ 39,200	\$ 39,200	\$ 40,822	\$ 1,622
Miscellaneous	11,250	11,250	32,724	21,474
Interest	5	5	5	
Total Receipts	50,455	50,455	73,551	23,096
<b>DISBURSEMENTS</b>				
Recreation and Culture	219,050	271,400	202,928	68,472
Debt Service	174,000	179,188	178,630	558
Administration	88,200	85,752	49,947	35,805
Total Disbursements	481,250	536,340	431,505	104,835
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(430,795)	(485,885)	(357,954)	127,931
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	420,795	420,795	235,664	(185,131)
Total Other Adjustments to Cash (Uses)	420,795	420,795	235,664	(185,131)
Net Change in Fund Balance	(10,000)	(65,090)	(122,290)	(57,200)
Fund Balance - Beginning	10,000	10,000	154,835	144,835
Fund Balance - Ending	\$ 0	\$ (55,090)	\$ 32,545	\$ 87,635

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

<b>INSURANCE FUND</b>				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental	\$ 20,000	\$ 20,000	\$ 93,629	\$ 73,629
Interest			448	448
Total Receipts	20,000	20,000	94,077	74,077
<b>DISBURSEMENTS</b>				
Administration	140,000	140,000	14,464	125,536
Total Disbursements	140,000	140,000	14,464	125,536
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(120,000)	(120,000)	79,613	199,613
Net Change in Fund Balance	(120,000)	(120,000)	79,613	199,613
Fund Balance - Beginning	120,000	120,000	132,713	12,713
Fund Balance - Ending	\$ 0	\$ 0	\$ 212,326	\$ 212,326

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

<b>AMERICAN RESCUE PLAN ACT FUND</b>			
	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original	Final	
<b>RECEIPTS</b>			
Intergovernmental	\$	\$ 2,384,177	\$ 2,384,177
Interest			6,037
Total Receipts		2,384,177	2,390,214
			6,037
<b>DISBURSEMENTS</b>			
General Government		25,000	6,800
General Health and Sanitation		135,000	59,231
Recreation and Culture		500,000	188,806
Roads		585,000	473,110
Administration		1,139,177	244
Total Disbursements		2,384,177	728,191
			1,655,986
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			1,662,023
			1,662,023
Net Change in Fund Balance			1,662,023
			1,662,023
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,662,023
			\$ 1,662,023

**LINCOLN 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.

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**LINCOLN COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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

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**LINCOLN 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
<b><u>U. S. Department of Agriculture</u></b>				
<i>Direct Program:</i>				
Emergency Watershed Protection Program	10.923		\$	\$ 76,140
<b>Total U.S. Department of Agriculture</b>			\$	\$ 76,140
<b><u>U. S. Department of Housing and Urban Development</u></b>				
<i>Passed-Through Kentucky Department for Local Government:</i>				
Community Development Block Grants/State's Program	14.228	19-014	\$ 1,217,043	\$ 1,217,043
Appalachian Area Development	23.002	19-014	384,776	384,776
<b>Total U. S. Department of Housing and Urban Development</b>			\$ 1,601,819	\$ 1,601,819
<b><u>U. S. Department of Treasury</u></b>				
<i>Direct Program:</i>				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027		\$	\$ 728,191
<b>Total U. S. Department of Treasury</b>			\$	\$ 728,191
<b><u>U. S. Department of Homeland Security</u></b>				
<i>Passed-Through Kentucky Department of Military Affairs:</i>				
Emergency Management Performance Grants	97.042	SC 095 2200000589	\$	\$ 17,471
<b>Total U. S. Department of Homeland Security</b>			\$	\$ 17,471
<b>Total Expenditures of Federal Awards</b>			\$ 1,601,819	\$ 2,423,621

The accompanying notes are an integral part of this schedule.

**LINCOLN 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 (the "Schedule") includes the federal award activity of Lincoln 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 Lincoln County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Lincoln County, Kentucky.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the 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**

Lincoln 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.

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

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

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**LINCOLN 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	\$ 3,157,420	\$	\$	\$ 3,157,420
Construction In Progress	398,480			398,480
Land Improvements	545,991			545,991
Buildings	6,692,471			6,692,471
Vehicles	951,676	255,725	11,500	1,195,901
Equipment	2,244,596	24,616		2,269,212
Infrastructure	15,373,570	1,073,975		16,447,545
 Total Capital Assets	 <u>\$ 29,364,204</u>	 <u>\$ 1,354,316</u>	 <u>\$ 11,500</u>	 <u>\$ 30,707,020</u>

**LINCOLN 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
Machinery and Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	3-25
Infrastructure	\$ 10,500	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**

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

**Independent Auditor's Report**

The Honorable Jim W. Adams, Lincoln County Judge/Executive  
Members of the Lincoln 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 Lincoln County Fiscal Court for the fiscal year ended June 30, 2022, and the related notes to the financial statement which collectively comprise the Lincoln County Fiscal Court's financial statement and have issued our report thereon dated November 15, 2022.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the Lincoln 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 Lincoln County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lincoln 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, 2022-002, and 2022-003 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 Lincoln 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 Questioned Costs as items 2022-002 and 2022-003.

**Views of Responsible Official and Planned Corrective Action**

Lincoln 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 H", with a long horizontal line extending to the right.

Mike Harmon  
Auditor of Public Accounts  
Frankfort, Ky

November 15, 2022

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

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**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 Jim W. Adams, Lincoln County Judge/Executive  
Members of the Lincoln County Fiscal Court

**Report on Compliance for Each Major Federal Program**

*Opinion on Each Major Federal Program*

We have audited the Lincoln 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 Lincoln County Fiscal Court's major federal programs for the year ended June 30, 2022. The Lincoln County Fiscal Court's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

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

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



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

### **Responsibilities of Management for Compliance**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Lincoln 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 the Lincoln 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 the Lincoln County Fiscal Court's internal control over compliance. Accordingly, no such opinion is expressed.

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

### **Report on Internal Control over Compliance**

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

**Report on Internal Control over Compliance (Continued)**

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

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

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

Respectfully submitted,

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Mike Harmon  
Auditor of Public Accounts  
Frankfort, Ky

November 15, 2022

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

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

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

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grants/State's Program

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

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

**Section II: Financial Statement Findings**

2022-001    The Lincoln County Fiscal Court Lacks Adequate Segregation Of Duties Over Receipts And Reconciliations

---

The Lincoln County Fiscal Court lacks adequate segregation of duties over cash, transfers, receipts, payroll, and monthly bank reconciliations. The county treasurer prepares deposit tickets and posts receipts to the receipt's ledger. She also prepares the monthly financial reports, monthly bank reconciliations, and quarterly financial reports. There are no initials to show documentation of review of the bank reconciliations. The quarterly financial reports are provided to the magistrates, but they are not recorded in the fiscal court minutes.

According to the county treasurer and county judge/executive, this condition is a result of a limited budget, which restricts the number of employees the county can hire or delegate duties. The lack of segregation of duties increases the risk of misappropriation of assets, errors, and inaccurate financial reporting.

Adequate segregation of duties would prevent the same person from having a significant role in these incompatible functions. In addition, proper segregation of duties protects employees in the normal course of performing their daily responsibilities. If segregation of duties is not feasible due to limited staff or budget, the implementation of compensating controls can reduce the risk that an undetected misstatement could occur.

We recommend the fiscal court and the county judge/executive implement segregation of duties over cash, receipts, bank reconciliations. If this is not possible due to a lack of staff, the fiscal court and county judge/executive can implement compensating controls such as reviewing and initialing daily receipts, deposits, and the monthly bank reconciliations. We also recommend the quarterly reports be included in the fiscal court minutes.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: We understand and agree with this evaluation. The staff at the Fiscal Court is limited in number which makes segregation difficult. We will work to re-evaluate and improve controls over receipts and reconciliations.*

2022-002    The Lincoln County Fiscal Court Does Not Have Internal Controls In Place To Ensure Accurate Financial Reporting And Submission Of The Schedule Of Expenditures Of Federal Awards

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The Lincoln County Fiscal Court did not have internal controls in place over the schedule of expenditures of federal awards (SEFA) process. The SEFA was not properly reviewed for accuracy and completeness by someone independent of the process of preparing it. In addition, the SEFA was not submitted to the state local finance officer as part of the reporting package as required by the Department for Local Government.

The county treasurer is solely responsible for the preparation of the SEFA. There is no review process in place. Although the SEFA was prepared for the fiscal year ending June 30, 2022, it was not properly submitted due to an oversight.

A lack of a proper review process could result in inaccurate reporting or delayed reporting of the SEFA, which is used by auditors to determine federal compliance audit requirements.

Management is responsible for designing and implementing internal controls that provide a reasonable assurance regarding the reliability of financial reporting. An important element to the accuracy of the SEFA is having appropriate internal controls over its preparation, review, and submission.

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

**Section II: Financial Statement Findings (Continued)**

2022-002 The Lincoln County Fiscal Court Does Not Have Internal Controls In Place To Ensure Accurate Financial Reporting And Submission Of The Schedule Of Expenditures Of Federal Awards  
 (Continued)

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According to the *County Budget Preparation and State Local Finance Officer Policy Manual* issued by the Department for Local Government, the schedule of expenditures of federal awards is part of the fourth quarter cumulative financial report. This report is required to be submitted to the state local finance officer by the 20th of the month following the close of the quarter ending June 30.

We recommend the fiscal court develop and implement internal controls over the SEFA to ensure accurate financial reporting. We further recommend, the fiscal court submit a schedule of expenditures of federal awards along with the fourth quarter financial report as required.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: We understand and agree with this evaluation. A procedure was not in place at the end of fiscal year 2022 for review of the Schedule of Expenditure of Federal Awards, but we will implement an appropriate review for the current year.*

2022-003 The Lincoln County Fiscal Court Did Not Follow Proper Bidding Procedures

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This is a repeat finding and was included in the prior year's audit report as finding 2021-001. The Lincoln County Fiscal Court did not approve any road bids for the fiscal year ending June 30, 2022, from the annual open bid request. Bids were opened in a fiscal court meeting but tabled for a later decision. This matter was not reopened for decision by the fiscal court.

The fiscal court has the practice of accepting all bids in order to select a vendor based on their proximity to the work site. Thus, this instance of tabling these annual road bids was out of the ordinary for the fiscal court.

By not formally accepting one of the competitive bids, the fiscal court was not in compliance with procurement laws or their administrative code. Furthermore, the county may not have received the best value for services or products provided.

KRS 178.140(1) states, "[a]ll bids for the construction or maintenance of county roads and bridges shall be received at the time and place specified in the advertisement, and shall be opened publicly at the time of awarding, and the amount of items comprising each bid shall be publicly announced." KRS 178.140(2) states, in part, "[t]he contract shall be awarded to the lowest and best bidder[.]"

Per the county's administrative code, "[t]he judge/executive shall open all bids publicly at the time and place stated in the advertisement and shall select the lowest and best bid by a qualified bidder."

We recommend the fiscal court comply with their administrative code and KRS 178.140 by advertising for bids, opening all bids publicly, and by awarding the contract to the lowest and best bidder.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: This issue was corrected in the current year.*

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

**Section III: Federal Award Findings And Questioned Costs**

None.

**Section IV: Summary Schedule of Prior Audit Findings**

Finding Number	Prior Year Finding Title	Status	Corrective Action
2021-001	Lincoln County Fiscal Court Did Not Follow Proper Bidding Procedures	Unresolved	See corrective action for current year finding 2022-003

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

**LINCOLN COUNTY FISCAL COURT**

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

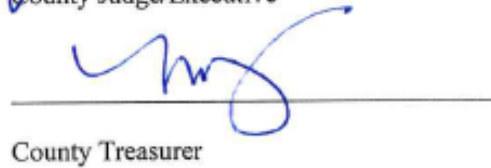
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CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE  
COUNTY FISCAL COURT

For The Year Ended June 30, 2022

The Lincoln 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