

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

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



**MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS  
[auditor.ky.gov](http://auditor.ky.gov)**

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



## CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT .....	1
LYON COUNTY OFFICIALS .....	4
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - REGULATORY BASIS.....	6
NOTES TO FINANCIAL STATEMENT.....	9
BUDGETARY COMPARISON SCHEDULES.....	23
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES .....	30
SCHEDULE OF CAPITAL ASSETS.....	33
NOTES TO OTHER INFORMATION - REGULATORY BASIS SCHEDULE OF CAPITAL ASSETS.....	34
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> .....	37
SCHEDULE OF FINDINGS AND RESPONSES.....	41

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

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

**Independent Auditor's Report**

**Report on the Financial Statement**

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

**Management's Responsibility for the Financial Statement**

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

**Auditor's Responsibility**

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

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

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



To the People of Kentucky  
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### **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

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

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

### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

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

### **Opinion on Regulatory Basis of Accounting**

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

### **Other Matters**

#### *Supplementary and Other Information*

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

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2022, on our consideration of the Lyon 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 Lyon County Fiscal Court's internal control over financial reporting and compliance.

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

2021-001    The Lyon County Fiscal Court Does Not Have An Adequate Purchase Order System

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Mike Harmon", followed by a horizontal line extending to the right.

Mike Harmon  
Auditor of Public Accounts

March 24, 2022

**LYON COUNTY OFFICIALS**  
**For The Year Ended June 30, 2021**

**Fiscal Court Members:**

Adam Wade White	County Judge/Executive
Robert Cummins	Magistrate
Quin Sutton	Magistrate
Jeff Fowler	Magistrate

**Other Elected Officials:**

Lee Wilson	County Attorney
John Steven Galusha	Jailer
Lori Duff	County Clerk
Kimberly Duncan	Circuit Court Clerk
Brent White	Sheriff
Christie Cruce	Property Valuation Administrator
Kris Dunn	Coroner

**Appointed Personnel:**

Kathy Coursey	County Treasurer
LaKrista Grigg	Chief Financial Officer



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

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

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

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

	<b>Budgeted Funds</b>		
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>
<b>RECEIPTS</b>			
Taxes	\$ 1,165,978	\$	\$
In Lieu Tax Payments	380,828	37,759	
Licenses and Permits	9,736		
Intergovernmental	2,366,756	1,579,604	89,274
Charges for Services	141,100		33,965
Miscellaneous	34,313	78,207	4,530
Interest	12,627	1,806	255
Total Receipts	<u>4,111,338</u>	<u>1,697,376</u>	<u>128,024</u>
<b>DISBURSEMENTS</b>			
General Government	1,363,270		
Protection to Persons and Property	153,295		398,709
General Health and Sanitation	234,721		
Social Services	500		
Recreation and Culture	96,100		
Roads		1,363,803	
Debt Service			
Administration	585,656	229,661	35,256
Total Disbursements	<u>2,433,542</u>	<u>1,593,464</u>	<u>433,965</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,677,796</u>	<u>103,912</u>	<u>(305,941)</u>
<b>Other Adjustments to Cash (Uses)</b>			
Change In Payroll Revolving Account	(422)		
Transfers From Other Funds	150,000	150,000	325,000
Transfers To Other Funds	(1,272,348)	(150,000)	
Total Other Adjustments to Cash (Uses)	<u>(1,122,770)</u>	<u></u>	<u>325,000</u>
Net Change in Fund Balance	555,026	103,912	19,059
Fund Balance - Beginning (Restated)	<u>1,681,518</u>	<u>199,966</u>	<u>22,410</u>
Fund Balance - Ending	<u>\$ 2,236,544</u>	<u>\$ 303,878</u>	<u>\$ 41,469</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 1,968,621	\$ 334,081	\$ 67,590
Less: Outstanding Checks	(71,289)	(30,203)	(26,121)
Payroll Revolving Account	10,212		
Certificate of Deposits	202,000		
Investments	127,000		
Fund Balance - Ending	<u>\$ 2,236,544</u>	<u>\$ 303,878</u>	<u>\$ 41,469</u>

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

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

Budgeted Funds				Unbudgeted Fund	
HB 577 Fund	ABC Fund	ARPA Fund	Indigent Services Fund	Public Properties Corporation Fund	Total Funds
\$	\$ 18,352	\$	\$	\$	\$ 1,184,330
					418,587
	1,700				11,436
22,490				204,239	4,262,363
					175,065
					117,050
3,919	89	122	56		18,874
26,409	20,141	122	56	204,239	6,187,705
101,231	20,000				1,484,501
					552,004
					234,721
			6,912		7,412
					96,100
					1,363,803
				204,239	204,239
					850,573
101,231	20,000		6,912	204,239	4,793,353
(74,822)	141	122	(6,856)		1,394,352
		797,348			(422)
					1,422,348
					(1,422,348)
		797,348			(422)
(74,822)	141	797,470	(6,856)		1,393,930
346,662	21,734		19,299	358	2,291,947
\$ 271,840	\$ 21,875	\$ 797,470	\$ 12,443	\$ 358	\$ 3,685,877
\$ 271,999	\$ 21,875	\$ 797,470	\$ 12,729	\$ 358	\$ 3,474,723
(159)			(286)		(128,058)
					10,212
					202,000
					127,000
\$ 271,840	\$ 21,875	\$ 797,470	\$ 12,443	\$ 358	\$ 3,685,877

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 .....	9
NOTE 2.	DEPOSITS AND INVESTMENTS .....	11
NOTE 3.	TRANSFERS.....	15
NOTE 4.	LONG-TERM DEBT.....	15
NOTE 5.	EMPLOYEE RETIREMENT SYSTEM .....	16
NOTE 6.	DEFERRED COMPENSATION.....	20
NOTE 7.	HEALTH REIMBURSEMENT ACCOUNT/FLEXIBLE SPENDING ACCOUNT .....	20
NOTE 8.	INSURANCE.....	20
NOTE 9.	PAYROLL REVOLVING ACCOUNT .....	20
NOTE 10.	PRIOR PERIOD ADJUSTMENTS .....	20

**LYON COUNTY  
NOTES TO FINANCIAL STATEMENT**

**June 30, 2021**

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

**A. Reporting Entity**

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

**B. Basis of Accounting**

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

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

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

**C. Basis of Presentation**

**Budgeted Funds**

The fiscal court reports the following budgeted funds:

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

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

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

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

**C. Basis of Presentation (Continued)**

**Budgeted Funds (Continued)**

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 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.

HB 577 Fund - The primary purpose of this fund is to account for courthouse related disbursements. The primary sources of receipts for this fund are state payments.

ABC Fund - The primary purpose of this fund is to account for the Alcohol Board related expenses of the county. The primary source of receipts for this fund is the Alcohol Regulatory License Fee. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

ARPA Fund - The primary purpose of this fund to account for the ARPA funds expended by the county. The primary source of receipts for this fund is the federal government ARPA payments.

Indigent Services Fund - The primary purpose of this fund is to account for the proceeds for specific revenue sources and disbursements that are legally restricted for specific purposes. This fund was previously called the poor farm fund.

**Unbudgeted Fund**

The fiscal court reports the following unbudgeted fund:

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

**D. Budgetary Information**

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

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

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

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.

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

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

**E. Lyon County Elected Officials**

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

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

**F. Deposits and Investments**

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

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

**G. Long-term Obligations**

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

**Note 2. Deposits and Investments**

**A. 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.

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

**Note 2. Deposits and Investments (Continued)**

**A. Deposits (Continued)**

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of the *DLG County Budget Preparation and State Local Finance Officer Policy Manual*. As of June 30, 2021, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**B. Investments**

As of June 30, 2021, the fiscal court had the following investments and maturities:

**1. Cash and Cash Equivalents**

	<u>Cost</u>
Certificates of Deposit	<u>\$ 202,000</u>
Total Cash and Cash Equivalents	<u><u>\$ 202,000</u></u>

**2. Investments Table**

Type	Cost Basis	Maturities (In Years)			
		Less Than 1	1-5	6-10	More Than 10
Certificates of Deposit	\$ 202,000	\$ 0	\$ 202,000	\$ 0	\$ 0
U.S. Treasury					
Mutual Funds	<u>127,000</u>	<u>127,000</u>			
Total Fund Balance	<u><u>\$ 329,000</u></u>	<u><u>\$ 127,000</u></u>	<u><u>\$ 202,000</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

**Custodial Credit Risk** is the risk that, in the event of failure of the counterparty, the fiscal court will not be able to recover the value of its certificates of deposit, investments or collateral securities that are in the possession of an outside party. The fiscal court's investment policy requires counterparties to provide sufficient collateral or other insurance if any investments or deposits exceed the insurance provided by Federal Deposit Insurance Corporation (FDIC) and the Securities Investor Protection Corporation (SIPC). All certificates of deposit and investments must be held by the counterparty in the fiscal court's name. The fiscal court has \$202,000 of certificates of deposit and \$127,000 of investments in securities held by the counterparties' trust departments in the fiscal court's name. The counterparty maintains the \$202,000 of certificates of deposit at depository institutions insured by the FDIC and limits certificates of deposit at each depository institution to \$250,000 FDIC coverage limit. In addition, the SIPC provides up to \$500,000 coverage for securities and cash (limit of \$250,000 for cash) per client and the counterparties maintain additional insurance coverage for loss of securities and cash above the coverage provided by FDIC and SIPC.



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

**Note 2. Deposits and Investments (Continued)**

**B. Investments (Continued)**

**Credit Risk** is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The fiscal court is statutorily limited as to credit ratings, at the time of purchase. KRS 66.480 and the fiscal court's investment policy define the following items as permissible investments:

- 1) Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, if delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian. These investments may be accomplished through repurchase agreements reached with sources including but not limited to national or state banks chartered in Kentucky;
- 2) Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency, including but not limited to:
  - a. United States Treasury;
  - b. Export-Import Bank of the United States;
  - c. Farmers Home Administration;
  - d. Government National Mortgage Corporation; and
  - e. Merchant Marine bonds;
- 3) Obligations of any corporation of the United States government, including but not limited to:
  - a. Federal Home Loan Mortgage Corporation;
  - b. Federal Farm Credit Banks;
  - c. Bank for Cooperatives;
  - d. Federal Intermediate Credit Banks;
  - e. Federal Land Banks;
  - f. Federal Home Loan Banks;
  - g. Federal National Mortgage Association; and
  - h. Tennessee Valley Authority;
- 4) Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution having a physical presence in Kentucky which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations, including surety bonds, permitted by KRS 41.240(4);
- 5) Uncollateralized certificates of deposit issued by any bank or savings and loan institution having a physical presence in Kentucky rated in one of the three highest categories by a competent rating agency;
- 6) Bankers' acceptances for banks rated in one of the three highest categories by a competent rating agency;
- 7) Commercial paper rated in the highest category by a competent rating agency;
- 8) Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities;
- 9) Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, and rated in one of the three highest categories by a competent rating agency;
- 10) Shares of mutual funds and exchange traded funds, each of which shall have the following characteristics:
  - a. The mutual funds shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended.
  - b. The management company of the investment company shall have been in operation for at least five years; and
  - c. All of the securities in the mutual fund shall be eligible investments pursuant to this section;
- 11) Individual equity securities if the funds being invested are managed by a professional investment manager regulated by a federal regulatory agency. The individual equity securities shall be included within the Standard and Poor's 500 Index, and a single sector shall not exceed twenty-five percent (25%) of the equity allocation; and

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

**Note 2. Deposits and Investments (Continued)**

**B. Investments (Continued)**

- 12) Individual high-quality corporate bonds that are managed by a professional investment manager that:
- a. Are issued, assumed, or guaranteed by a solvent institution created and existing under the laws of the United States;
  - b. Have a standard maturity of no more than ten years; and
  - c. Are rated in the three highest rating categories by at least two competent credit rating agencies.

The fiscal court is limited to investing no more than 20 percent in categories 5, 6, 7, 9, and 10 above per state statute and the fiscal court's investment policy. As of June 30, 2021, the fiscal court has investments of less than 20 percent in these categories.

The fiscal court's rated investments, as of June 30, 2021, and the ratings are presented in the table below. All issuers of the municipal bonds are located in the Commonwealth of Kentucky.

**Credit Risk Table**

Type	Standard & Poor's/Moody's Credit Ratings					Unrated/NA	Cost Basis
	AAA/Aaa	AA/Aa	A	WR			
Certificates of Deposit	\$ 0	\$ 0	\$ 0	\$ 0		\$ 202,000	\$ 202,000
U.S. Treasury							
Mutual Funds	127,000						127,000
Total Fund Balance	\$ 127,000	\$ 0	\$ 0	\$ 0		\$ 202,000	\$ 329,000

**Concentration of Credit Risk** is the risk of loss attributed to the magnitude of the fiscal court's investment in a single issuer. U.S. Government securities and investments in mutual funds are excluded from this risk. The fiscal court does not have 5 percent or more of the fiscal court's investments invested in any single security.

**Interest Rate Risk** is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The fiscal court's policy provides that, to the extent practicable, investments are matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities. See table above for investments listed by type and duration.

**Foreign Currency Risk** is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The fiscal court's policy historically has been to invest only in securities in U.S. denominations.

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

**Note 3. Transfers**

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

	General Fund	Road Fund	Total Transfers In
General Fund	\$	\$ 150,000	\$ 150,000
Road Fund	150,000		150,000
Jail Fund	325,000		325,000
ARPA Fund	797,348		797,348
Total Transfers Out	<u>\$ 1,272,348</u>	<u>\$ 150,000</u>	<u>\$ 1,422,348</u>

Reason for transfers:

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

**Note 4. Long-term Debt**

**A. Other Debt - Bonds**

**1. First Mortgage Revenue Refunding Bonds, Series 2019**

The Lyon County Public Properties Corporation issued first mortgage revenue refunding bonds, series 2019 dated December 19, 2019, in the amount of \$823,107 to be used to refinance the financing obligation of the Kentucky Area Development District for the courthouse project. Interest is payable semi-annually at an average rate of 2.06 percent for 4 years. The Lyon County Public Properties Corporation has leased the building to the Commonwealth of Kentucky, Administrative Office of the Courts (AOC), and AOC is providing the debt service payments as prescribed in the aforementioned agreement. Upon the occurrence of an event of default, the lien may be enforced, the mortgage may be foreclosed, and/or the project may be operated by the bank or placed in receivership and/or sold at foreclosure sale. As of June 30, 2021, Lyon County is in compliance with the financing agreement. The principle balance as of June 30, 2021, was \$635,824. Future principle and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 212,402	\$ 13,098
2023	212,027	8,723
2024	<u>211,395</u>	<u>4,355</u>
Totals	<u>\$ 635,824</u>	<u>\$ 26,176</u>

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

**Note 4. Long-term Debt (Continued)**

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

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Other Debt - Bonds	\$ 823,107	\$	\$ 187,283	\$ 635,824	\$ 212,402
Total Long-term Debt	<u>\$ 823,107</u>	<u>\$ 0</u>	<u>\$ 187,283</u>	<u>\$ 635,824</u>	<u>\$ 212,402</u>

**C. Aggregate Debt Schedule**

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

Fiscal Year Ended June 30	Other Debt - Bonds	
	Principal	Interest
2022	\$ 212,402	\$ 13,098
2023	212,027	8,723
2024	211,395	4,355
Totals	<u>\$ 635,824</u>	<u>\$ 26,176</u>

**Note 5. Employee Retirement System**

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

The county's contribution for FY 2019 was \$288,245, FY 2020 was \$313,006, and FY 2021 was \$332,239.

Nonhazardous

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

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

**Note 5. Employee Retirement System (Continued)**

Nonhazardous (Continued)

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

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

The county's contribution rate for nonhazardous employees was 24.06 percent.

Hazardous

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

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

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

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

The county's contribution rate for hazardous employees was 39.58 percent.

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

**Note 5. Employee Retirement System (Continued)**

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

<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%

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

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

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

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

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

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

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

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

**Note 5. Employee Retirement System (Continued)**

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

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

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

**D. Cost of Living Adjustments - Tier 1**

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

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

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

**F. Death Benefit**

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

**KRS Annual Financial Report and Proportionate Share Audit Report**

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

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

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

**Note 6. Deferred Compensation**

The Lyon 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 7. Health Reimbursement Account/Flexible Spending Account**

The Lyon County Fiscal Court established a flexible spending account on May 1, 2012, to provide employees an additional health benefit. The county has contracted with a Kentucky Employee's Health Plan, a state funded third-party administrator to administer the plan. The plan provides a debit card to each eligible employee each year to pay for qualified medical expenses.

**Note 8. Insurance**

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

**Note 9. Payroll Revolving Account**

The reconciled balance of the payroll revolving account as of June 30, 2021, was added to the general fund cash balance for financial reporting purposes.

**Note 10. Prior Period Adjustment**

The beginning balance of the general fund was restated and increased by \$126 due to prior year voided checks.



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

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

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

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

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Taxes	\$ 1,054,000	\$ 1,054,000	\$ 1,165,978	\$ 111,978
In Lieu Tax Payments	382,000	382,000	380,828	(1,172)
Licenses and Permits	9,000	9,000	9,736	736
Intergovernmental	1,078,710	2,155,577	2,366,756	211,179
Charges for Services	107,500	107,500	141,100	33,600
Miscellaneous	10,000	10,000	34,313	24,313
Interest	10,000	10,000	12,627	2,627
Total Receipts	2,651,210	3,728,077	4,111,338	383,261
<b>DISBURSEMENTS</b>				
General Government	1,378,317	1,437,040	1,363,270	73,770
Protection to Persons and Property	124,954	161,229	153,295	7,934
General Health and Sanitation	243,815	250,715	234,721	15,994
Social Services	500	500	500	
Recreation and Culture	115,000	112,000	96,100	15,900
Administration	2,126,834	2,478,212	585,656	1,892,556
Total Disbursements	3,989,420	4,439,696	2,433,542	2,006,154
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,338,210)	(711,619)	1,677,796	2,389,415
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	233,870	383,870	150,000	(233,870)
Transfers To Other Funds	(395,660)	(1,343,008)	(1,272,348)	70,660
Total Other Adjustments to Cash (Uses)	(161,790)	(959,138)	(1,122,348)	(163,210)
Net Change in Fund Balance	(1,500,000)	(1,670,757)	555,448	2,226,205
Fund Balance - Beginning (Restated)	1,500,000	1,670,757	1,681,518	10,761
Fund Balance - Ending	\$ 0	\$ 0	\$ 2,236,966	\$ 2,236,966

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

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
In Lieu Tax Payments	\$	\$	\$ 37,759	\$ 37,759
Intergovernmental	1,788,735	1,788,735	1,579,604	(209,131)
Miscellaneous	44,500	66,071	78,207	12,136
Interest	5,000	5,000	1,806	(3,194)
Total Receipts	1,838,235	1,859,806	1,697,376	(162,430)
<b>DISBURSEMENTS</b>				
Roads	1,465,380	1,542,480	1,363,803	178,677
Administration	290,985	295,548	229,661	65,887
Total Disbursements	1,756,365	1,838,028	1,593,464	244,564
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	81,870	21,778	103,912	82,134
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	12,000	162,000	150,000	(12,000)
Transfers To Other Funds	(233,870)	(383,870)	(150,000)	233,870
Total Other Adjustments to Cash (Uses)	(221,870)	(221,870)		221,870
Net Change in Fund Balance	(140,000)	(200,092)	103,912	304,004
Fund Balance - Beginning	140,000	200,092	199,966	(126)
Fund Balance - Ending	\$ 0	\$ 0	\$ 303,878	\$ 303,878

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

	<b>JAIL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 95,500	\$ 95,500	\$ 89,274	\$ (6,226)
Charges for Services	31,000	31,000	33,965	2,965
Miscellaneous	100	100	4,530	4,430
Interest	500	500	255	(245)
Total Receipts	127,100	127,100	128,024	924
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	472,860	492,111	398,709	93,402
Administration	57,900	41,059	35,256	5,803
Total Disbursements	530,760	533,170	433,965	99,205
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(403,660)	(406,070)	(305,941)	100,129
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	383,660	383,660	325,000	(58,660)
Total Other Adjustments to Cash (Uses)	383,660	383,660	325,000	(58,660)
Net Change in Fund Balance	(20,000)	(22,410)	19,059	41,469
Fund Balance - Beginning	20,000	22,410	22,410	
Fund Balance - Ending	\$ 0	\$ 0	\$ 41,469	\$ 41,469

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

<b>HB 577 FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 40,000	\$ 40,000	\$ 22,490	\$ (17,510)
Interest	6,000	6,000	3,919	(2,081)
Total Receipts	46,000	46,000	26,409	(19,591)
<b>DISBURSEMENTS</b>				
General Government	126,000	126,000	101,231	24,769
Administration	270,000	266,661		266,661
Total Disbursements	396,000	392,661	101,231	291,430
Net Change in Fund Balance	(350,000)	(346,661)	(74,822)	271,839
Fund Balance - Beginning	350,000	346,661	346,662	1
Fund Balance - Ending	\$ 0	\$ 0	\$ 271,840	\$ 271,840

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

	<b>ABC FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 17,000	\$ 17,000	\$ 18,352	\$ 1,352
Licenses and Permits	1,000	1,000	1,700	700
Interest	25	25	89	64
Total Receipts	18,025	18,025	20,141	2,116
<b>DISBURSEMENTS</b>				
General Government	20,500	20,500	20,000	500
Administration	17,525	19,258		19,258
Total Disbursements	38,025	39,758	20,000	19,758
Net Change in Fund Balance	(20,000)	(21,733)	141	21,874
Fund Balance - Beginning	20,000	21,733	21,734	1
Fund Balance - Ending	\$ 0	\$ 0	\$ 21,875	\$ 21,875

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

	<b>ARPA FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts, (Budgetary Basis)</b>	<b>Final Budget Positive (Negative)</b>
<b>RECEIPTS</b>				
Interest	\$	\$	\$ 122	\$ 122
Total Receipts			122	122
<b>DISBURSEMENTS</b>				
Administration		797,348		797,348
Total Disbursements		797,348		797,348
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(797,348)	122	797,470
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds		797,348	797,348	
Total Other Adjustments to Cash (Uses)		797,348	797,348	
Net Change in Fund Balance			797,470	797,470
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 797,470	\$ 797,470



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

<b>INDIGENT SERVICES FUND</b>				
	<u>Budgeted Amounts</u>		<u>Actual Amounts, (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>RECEIPTS</b>				
Interest	\$ 100	\$ 100	\$ 56	\$ (44)
Total Receipts	100	100	56	(44)
<b>DISBURSEMENTS</b>				
Social Services	18,100	19,398	6,912	12,486
Total Disbursements	18,100	19,398	6,912	12,486
Net Change in Fund Balance	(18,000)	(19,298)	(6,856)	12,442
Fund Balance - Beginning	18,000	19,298	19,299	1
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 12,443</u>	<u>\$ 12,443</u>

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

**June 30, 2021**

**Note 1. Budgetary Information**

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

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

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

**Note 2. Reconciliation of the General Fund**

The Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis differs from the Budgetary Comparison Schedule for the general fund for in "Other Adjustments to Cash (Uses)" and ending fund balance due to the change in the payroll revolving account balance as noted below.

Total Other Adjustment To Cash (Uses) - Budgetary	\$ (1,122,348)
To Adjust For Change In Payroll Account	<u>(422)</u>
Total Intergovernmental-Regulatory Basis	<u><u>\$ (1,122,770)</u></u>
 Fund Balance - Ending Budgetary Basis	 \$ 2,236,966
To Adjust For Payroll Account	<u>(422)</u>
Total Fund Balance - Regulatory Basis	<u><u>\$ 2,236,544</u></u>

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

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

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

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

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 792,403	\$	\$	\$ 792,403
Buildings	8,206,690			8,206,690
Vehicles and Equipment	1,906,497	75,709	70,808	1,911,398
Infrastructure	8,240,226	700,106		8,940,332
 Total Capital Assets	 <u>\$ 19,145,816</u>	 <u>\$ 775,815</u>	 <u>\$ 70,808</u>	 <u>\$ 19,850,823</u>

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

**June 30, 2021**

**Note 1. Capital Assets**

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

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

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

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

The Honorable Wade White, Lyon County Judge/Executive  
Members of the Lyon County Fiscal Court

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

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Lyon County Fiscal Court for the fiscal year ended June 30, 2021, and the related notes to the financial statement which collectively comprise the Lyon County Fiscal Court's financial statement and have issued our report thereon dated March 24, 2022.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the Lyon 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 Lyon County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lyon County Fiscal Court's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 deficiency described in the accompanying Schedule of Findings and Responses as item 2021-001 to be a material weakness.



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 Lyon County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2021-001.

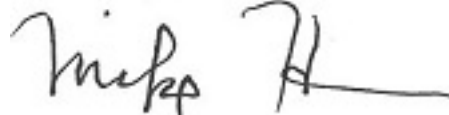
**Views of Responsible Official and Planned Corrective Action**

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

**Purpose of this Report**

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

Respectfully submitted,

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

Mike Harmon  
Auditor of Public Accounts

March 24, 2022

**LYON COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

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

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**LYON COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

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

FINANCIAL STATEMENT FINDING:

2021-001    The Lyon County Fiscal Court Does Not Have An Adequate Purchase Order System

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The Lyon County Fiscal Court does not have an adequate purchase order system in place. Purchase orders for 20 out of 33 disbursements were not issued until after the invoice was received. The total amount of purchase orders issued after invoice received was \$474,591. Due to the purchase order system not working adequately, the fiscal court did not accurately report encumbrances on the financial statement. According to the finance officer, they were not aware purchase orders had to be issued prior to receiving utility bills. In addition, individuals sometimes make purchases prior to requesting purchase orders. The issues noted above could result in line-items being over budget, claims being paid which are not valid obligations of the fiscal court, inaccurate reporting, and misappropriation of assets. Furthermore, by not tracking encumbrances properly, the fiscal court could exceed cash balances available which could result in negative fund balances.

Strong internal controls require purchase orders be approved and issued prior to items being ordered and expenses being incurred. These controls help ensure that the county will be within budget constraints before any liability is incurred.

KRS 68.210 gives the state local finance officer the authority to prescribe a system of uniform accounts. The Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* outlines requirements for counties' handling of public funds, including required purchasing procedures for counties.

According to a memorandum from the Department for Local Government (DLG) dated August 4, 2016, "[t]he main purpose of this system is to ensure that purchases can be made if there are sufficient appropriations available within the amount of line items in the county's budget. Because of this, it is a requirement by the State Local Finance Officer that all counties have a purchase order system and follow the guidelines prescribed on Page 54 of the *County Budget Preparation and State Local Finance Officer Policy Manual*." Furthermore, DLG highly recommends that counties accept the practice of issuing purchase orders for payroll and utility claims.

KRS 68.360(2) states, "[t]he county judge/executive shall, within fifteen (15) days after the end of each quarter of each fiscal year, prepare a statement showing for the current fiscal year to date actual receipts from each county revenue source, the totals of all encumbrances and expenditures charged against each budget fund, the unencumbered balance of the fund, and any transfers made to or from the fund[.]"

We recommend the Lyon County Fiscal Court strengthen their purchase order system and internal controls over disbursements by ensuring that purchase orders are issued prior to all purchases being made. We recommend the fiscal court report all unpaid purchase orders as encumbrances at the end of each quarter. We further recommend the fiscal court maintain a list of these encumbrances and not encumber more than the available cash balance in each fund.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: Lyon County Fiscal Court implemented our Digital Purchase Order system in FY2020. We pride ourselves on the integrity of this system in that purchase orders (POs) are created in real time through applications available on supervisors' and department heads' phones and computers, and POs are approved based on available funds in the digital system. In fact, POs cannot be created if the system finds insufficient funds available in budget lines. The implementation of this new system necessitated a change for department heads in transitioning from paper POs to digital POs. Understandably, there is a learning curve as department heads are re-trained. POs our finance officer historically completed by hand are now being entered by our department heads. Realistically, from time to time, POs do not get completed in advance of an invoice.*

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

FINANCIAL STATEMENT FINDING: (Continued)

2021-001 The Lyon County Fiscal Court Does Not Have An Adequate Purchase Order System (Continued)

*County Judge/Executive's Response: (Continued)*

*Your audit of our financial records from FY21, one year after the implementation of our new system, indicates that a paving invoice did not have a PO entered in advance of our receiving an invoice. We disagree that this means we do "not have an adequate purchase order system." Our digital system is far more accurate and real-time than the paper system we historically used. Nonetheless, we do recognize that this is a good opportunity to remind employees about their fiscal responsibility in entering POs and re-train them on the requirements for entering a PO prior to procuring goods or services. To that end, our Treasurer emailed all department heads on January 26, 2022, and she plans to send a follow-up message on the first day of every Fiscal Year. Specifically regarding the paving invoice that did not have a PO entered in FY21, our Finance Officer will now be responsible for entering POs for planned paving at the beginning of each Fiscal year.*

Auditor's Reply: An adequate purchase order system would need to be effective and function properly. As there were 20 instances where the purchase order was created after the invoice date, the purchase order system is not functioning in a manner that updates the available budget to spend prior to committing county resources.