



Auditor of Public Accounts
Mike Harmon

FOR IMMEDIATE RELEASE

Contact: Michael Goins
Michael.Goins@ky.gov
502.564.5841
502.209.2867

Harmon Releases Audit of Lyon County Fiscal Court

FRANKFORT, Ky. – State Auditor Mike Harmon has released the audit of the financial statement of the Lyon County Fiscal Court for the fiscal year ended June 30, 2022. State law requires annual audits of county fiscal courts.

Auditing standards require the auditor's letter to communicate whether the financial statement presents fairly the receipts, disbursements, and changes in fund balances of the Lyon County Fiscal Court in accordance with accounting principles generally accepted in the United States of America. The fiscal court's financial statement did not follow this format. However, the fiscal court's financial statement is fairly presented in conformity with the regulatory basis of accounting, which is an acceptable reporting methodology. This reporting methodology is followed for 116 of 120 fiscal court audits in Kentucky.

As part of the audit process, the auditor must comment on noncompliance with laws, regulations, contracts, and grants. The auditor must also comment on material weaknesses involving internal control over financial operations and reporting.

The audit contains the following findings:

The Lyon County Fiscal Court's schedule of expenditures of federal awards was overstated: The Lyon County Fiscal Court's original schedule of federal awards (SEFA) reported \$2,889,008 of disaster grant – public assistance (presidentially declared) expenses, however the fiscal court only spent \$2,856,856. Therefore, the fiscal court's SEFA was overstated by \$32,152. The fiscal court also reported \$201,898 passed on to subrecipients for the same disaster grant, but the actual amount was \$77,495.

According to the county treasurer, the amounts reported as provided to subrecipients were based on estimates. Additionally, the amount reported included the matching portion of expenses.

Due to a lack of effective operating controls, errors were made which resulted in the original SEFA being misstated. Furthermore, the fiscal court is not in compliance with 2 CFR 200.510(b).

Strong internal controls over financial reporting are vital in ensuring that federal awards expended are accounted for and reported properly. Strong internal controls are also important in safeguarding the county's assets and those given the responsibility of accounting for them, as well as helping make certain the county is in compliance with all requirements and guidance. Additionally, 2 CFR 200.510(b) states, "[t]he auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended."

We recommend the Lyon County Fiscal Court implement or strengthen controls over the reporting of federal award expenditures to ensure amounts reported represent true federal expenditures during the year.

Former County Judge/Executive's Response: The former treasurer was advised to estimate the Schedule of Expenditures of Federal Awards (SEFA) in FY 22 and then submit a revised SEFA once finalized. Lyon County was estimating the amount based on invoices and numbers provided by FEMA to get an estimate. FEMA has changed the amount we are to receive numerous times and has even denied some figures. Since the final numbers from FEMA to report on SEFA were not provided until FY 23, Lyon County has not had the opportunity to update the SEFA.

The amount reported to be passed on to subrecipients has changed constantly with FEMA. Lyon County has been told several different things in regards to when projects would be approved and when money would be sent to the county to be passed on to subrecipients. Again, clear information and documentation was not clarified until FY 23.

The New Lyon County Judge Executive and the New Treasurer now have a schedule with FEMA and verified amounts to be reported and passed on to subrecipients. This documentation is updated quarterly and/or as it is sent out by FEMA. All other SEFA categories are reported as previously documented.

The Lyon County Fiscal Court did not maintain a schedule of leases: The Lyon County Fiscal Court did not maintain a schedule of leases and did not provide a list of leases for auditors. However, Lyon County is the lessee of two leases and the lessor of one lease. While the Lyon County Fiscal Court adopted a resolution to set a threshold for leases at \$30,000, that threshold would only apply to the reporting of leases. The county would still need to maintain a schedule of leases for accountability purposes.

According to staff, the fiscal court was unaware that a schedule of leases needed to be maintained regardless of the threshold. Therefore, a schedule of leases was not provided to auditors because it was believed that the county only had leases that were each less than the \$30,000 threshold.

Because the county did not prepare a schedule of leases, or provide other support, the fiscal court did not document whether it was following its policy threshold for reporting. This lack of documentation could cause the fiscal court's notes to the financial statement to be insufficient.

Furthermore, because a schedule of leases was not maintained, the county failed to report a lease in which the lease proceeds exceeded the \$30,000 reporting threshold set by fiscal court.

Statement No. 87 of the Governmental Accounting Standards Board (GASB) establishes standards of accounting and financial reporting for leases by lessees and lessors. The note disclosure requirements of this Statement apply to financial statements of all regulatory basis local governments as required by the regulator, the Department for Local Government (DLG).

Additionally, strong internal controls dictate that the fiscal court maintain a schedule of leases to ensure note disclosures are complete and adequate.

We recommend the Lyon County Fiscal Court maintain a schedule of all leases and follow the standards set forth by DLG and GASB 87 to ensure note disclosures are complete and adequate.

Former County Judge/Executive's Response: The Lyon County Treasurer or Judge/Executive was not aware that the Lease between the Lyon County, KY, Public Properties Corporation, and the KY Administrative Office of the Courts (AOC) was required to be reported. The state auditors have had a copy of this lease since the 2019-2020 Audit, and it was never mentioned that this Lease should be reported annually. The Lyon County Judge/Executive did not recognize this agreement as a lease since the Lyon County Fiscal Court does not own the building. The AOC reimburses the Lyon County Fiscal Court for any expenses spent in or on the building.

The New Lyon County Judge/Executive has now received a copy of this lease and the new treasurer will make sure this lease is reported on in every audit going forward.

Auditor Reply: The Lyon County Public Properties Corporation acting as an agency of the Lyon County Fiscal Court maintains ownership of the facility. The Administrative Office of the Courts signed a lease agreement for the use of the facility in 2009, which was extended in 2019, and each year has continued to sign a reimbursement form for the use of the facility. GASB 87 was implemented for fiscal years beginning after June 15, 2021, which made it applicable to the fiscal year ending June 30, 2022.

The audit report can be found on the [auditor's website](#).

###

The Auditor of Public Accounts ensures that public resources are protected, accurately valued, properly accounted for, and effectively employed to raise the quality of life of Kentuckians.

Call 1-800-KY-ALERT or visit our website to report suspected waste and abuse.

