

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

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



**MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS  
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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 Jaime Green, Lyon County Judge/Executive

The Honorable Adam Wade White, Former Lyon County Judge/Executive

Members of the Lyon 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 Lyon County Fiscal Court, for the year ended June 30, 2022, 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.

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

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and changes in fund balances – regulatory basis of the Lyon 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 Lyon 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 Lyon 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 Jaime Green, Lyon County Judge/Executive  
 The Honorable Adam Wade White, Former Lyon County Judge/Executive  
 Members of the Lyon 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 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 and pervasive.

### ***Responsibilities of Management for the Financial Statement***

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

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

***Other Information***

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

To the People of Kentucky  
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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 22, 2023, 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 Questioned Costs included herein, which discusses the following report findings:

- 2022-001 The Lyon County Fiscal Court's Schedule Of Expenditures Of Federal Awards Was Overstated
- 2022-002 The Lyon County Fiscal Court Did Not Maintain A Schedule Of Leases

Respectfully submitted,

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

Mike Harmon  
Auditor of Public Accounts  
Frankfort, Ky

March 22, 2023



**LYON COUNTY OFFICIALS**  
**For The Year Ended June 30, 2022**

**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

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

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

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

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

	<b>Budgeted Funds</b>		
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>
<b>RECEIPTS</b>			
Taxes	\$ 1,281,771	\$	\$
In Lieu Tax Payments	343,252		
Licenses and Permits	9,823		
Intergovernmental	2,392,593	1,443,176	94,602
Charges for Services	133,982		20,240
Miscellaneous	56,196	111,864	156
Interest	10,552	1,649	265
Total Receipts	<u>4,228,169</u>	<u>1,556,689</u>	<u>115,263</u>
<b>DISBURSEMENTS</b>			
General Government	1,645,556		
Protection to Persons and Property	2,717,569		394,549
General Health and Sanitation	257,008		
Social Services	7,491		
Recreation and Culture	121,293		
Roads		1,488,834	
Debt Service	1,456,656		
Capital Projects			
Administration	706,834	223,500	40,197
Total Disbursements	<u>6,912,407</u>	<u>1,712,334</u>	<u>434,746</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,684,238)</u>	<u>(155,645)</u>	<u>(319,483)</u>
<b>Other Adjustments to Cash (Uses)</b>			
Bond Anticipation Note	2,085,000		
Bond Anticipation Note Discount	(83,291)		
Short Term Borrowing- Line of Credit	1,450,000		
Change in Payroll Revolving Account	276		
Transfers From Other Funds	4,478		325,000
Transfers To Other Funds	(1,122,348)		
Total Other Adjustments to Cash (Uses)	<u>2,334,115</u>		<u>325,000</u>
Net Change in Fund Balance	(350,123)	(155,645)	5,517
Fund Balance - Beginning (Restated)	<u>2,236,894</u>	<u>303,878</u>	<u>41,469</u>
Fund Balance - Ending	<u>\$ 1,886,771</u>	<u>\$ 148,233</u>	<u>\$ 46,986</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 1,641,378	\$ 187,447	\$ 76,293
Payroll Revolving Account Reconciled Balance	10,488		
Less: Outstanding Checks	(93,095)	(39,214)	(29,307)
Certificates of Deposit	202,000		
Investments	126,000		
Fund Balance - Ending	<u>\$ 1,886,771</u>	<u>\$ 148,233</u>	<u>\$ 46,986</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, 2022**  
**(Continued)**

<b>Budgeted Funds</b>					
<b>HB 577 Fund</b>	<b>ABC Fund</b>	<b>DOJ Asset Forfeiture Fund</b>	<b>Treasury Asset Forfeiture Fund</b>	<b>American Rescue Plan Act Fund</b>	<b>Indigent Services Fund</b>
\$	\$ 26,057	\$	\$	\$	\$
	1,700				
37,183					
		310	100		
993	134			1,828	26
38,176	27,891	310	100	1,828	26
12,208	780				
					7,991
				426,078	
12,208	780			426,078	7,991
25,968	27,111	310	100	(424,250)	(7,965)
				797,348	(4,478)
				797,348	(4,478)
25,968	27,111	310	100	373,098	(12,443)
271,840	21,875			797,470	12,443
\$ 297,808	\$ 48,986	\$ 310	\$ 100	\$ 1,170,568	\$ 0
\$ 299,186	\$ 48,986	\$ 310	\$ 100	\$ 1,170,568	\$
(1,378)					
\$ 297,808	\$ 48,986	\$ 310	\$ 100	\$ 1,170,568	\$ 0

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, 2022**  
**(Continued)**

	<u>Unbudgeted Fund</u>	
	<b>Public</b>	
	<b>Properties</b>	
	<b>Corporation</b>	<b>Total</b>
	<b>Fund</b>	<b>Funds</b>
<b>RECEIPTS</b>		
Taxes	\$	\$ 1,307,828
In Lieu Tax Payments		343,252
Licenses and Permits		11,523
Intergovernmental	225,500	4,193,054
Charges for Services		154,222
Miscellaneous		168,626
Interest		15,447
Total Receipts	<u>225,500</u>	<u>6,193,952</u>
<b>DISBURSEMENTS</b>		
General Government		1,658,544
Protection to Persons and Property		3,112,118
General Health and Sanitation		257,008
Social Services		15,482
Recreation and Culture		121,293
Roads		1,488,834
Debt Service	225,500	1,682,156
Capital Projects		426,078
Administration	<u>358</u>	<u>970,889</u>
Total Disbursements	<u>225,858</u>	<u>9,732,402</u>
Excess (Deficiency) of Receipts Over		
Disbursements Before Other		
Adjustments to Cash (Uses)	<u>(358)</u>	<u>(3,538,450)</u>
<b>Other Adjustments to Cash (Uses)</b>		
Bond Anticipation Note		2,085,000
Bond Anticipation Note Discount		(83,291)
Short Term Borrowing- Line of Credit		1,450,000
Change in Payroll Revolving Account		276
Transfers From Other Funds		1,126,826
Transfers To Other Funds		<u>(1,126,826)</u>
Total Other Adjustments to Cash (Uses)		<u>3,451,985</u>
Net Change in Fund Balance	(358)	(86,465)
Fund Balance - Beginning (Restated)	<u>358</u>	<u>3,686,227</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 3,599,762</u>
<b>Composition of Fund Balance</b>		
Bank Balance	\$	\$ 3,424,268
Payroll Revolving Account Reconciled Balance		10,488
Less: Outstanding Checks		(162,994)
Certificates of Deposit		202,000
Investments		<u>126,000</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 3,599,762</u>

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

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**LYON COUNTY  
NOTES TO FINANCIAL STATEMENT**

**June 30, 2022**

**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 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.



**LYON 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)**

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.

DOJ Asset Forfeiture Fund - The primary purpose of this fund is to account for asset forfeitures from criminal and civil investigations involving federal agencies who assist the sheriff's office.

Treasury Asset Forfeiture Fund - The primary purpose of this fund is to account for asset forfeitures from criminal and civil investigations involving federal agencies who assist the sheriff's office.

American Rescue Plan Act Fund - The primary purpose of this fund is to account for the receipts and disbursements from the American Rescue Plan Act federal grant program.

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 Funds**

The fiscal court reports the following unbudgeted funds:

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

**D. Budgetary Information**

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

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

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

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

**LYON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2022**  
**(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, 2022**  
**(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, 2022, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**B. Investments**

As of June 30, 2022, the fiscal court had the following investments and maturities:

Type	Cost Basis	Maturities (In Years)			
		Less Than 1	1-5	6-10	More Than 10
Certificates of Deposit	\$ 202,000		\$ 202,000		
Mortgage Backed Security	126,000				126,000
Total Fund Balance	\$ 328,000	\$ 0	\$ 202,000	\$ 0	\$ 126,000

**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) or 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 \$126,000 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 the \$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.

**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;

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

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

**B. Investments (Continued)**

- 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 or other interest-bearing accounts issued through a 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
- 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.

According to KRS 66.480, 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, 2022, the fiscal court has investments of less than 20 percent in these categories.

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

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

**B. Investments (Continued)**

The fiscal court's rated investments, as of June 30, 2022, and the ratings are presented in the table below. All issuers of the municipal bonds are located in the Commonwealth of Kentucky.

Type	Standard & Poor's/Moody's Credit Ratings				Unrated/NA	Cost Basis
	AAA/Aaa	AA/Aa	A	WR		
Certificates of Deposit					\$ 202,000	\$ 202,000
Mortgage Backed Security					126,000	126,000
Total Fund Balance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 328,000	\$ 328,000

**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.

**Note 3. Transfers**

The table below shows the interfund operating transfers for fiscal year 2022.

	General Fund	Indigent Services Fund	Total Transfers In
General Fund	\$	\$ 4,478	\$ 4,478
Jail Fund	325,000		325,000
American Rescue Plan Act Fund	797,348		797,348
Total Transfers Out	<u>\$ 1,122,348</u>	<u>\$ 4,478</u>	<u>\$ 1,126,826</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.

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

**Note 4. Leases**

**Court Facilities Office Space**

During the current fiscal year, Lyon County began leasing office space to the Administrative Office of the Courts (AOC). The lease is for one year and Lyon County will receive quarterly payments of \$40,632. Lyon County recognized \$137,754 in lease revenue during the current fiscal year related to this lease.

**Note 5. Short-term Debt**

**A. Direct Borrowings**

On February 7, 2022, the Lyon County Fiscal Court issued an unsecured promissory note with the bank in an amount not to exceed \$2,000,000. The note was authorized for the purpose of meeting current expenses. The note has fixed interest rate of 2 percent with total principal and interest due February 7, 2023. Upon an event of default, the lender may declare the entire unpaid principal balance under the note and all accrued unpaid interest immediately due. During the fiscal year, note proceeds totaled \$1,450,000. As of June 30, 2022, this note had been paid in full.

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

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Financing Obligation	\$	\$ 1,450,000	\$1,450,000	\$	\$
Total Short-term Debt	\$ 0	\$ 1,450,000	\$ 1,450,000	\$ 0	\$ 0

**Note 6. Long-term Debt**

**A. Direct Borrowings and Direct Placements**

**General Obligation Bond Anticipation Note, Series 2022 - Tornado Damage FEMA Project**

On April 12, 2022, the Lyon County Fiscal Court issued a general obligation bond anticipation note in the amount of \$2,085,000 to be paid by FEMA reimbursement for tornado damage. The note was authorized for the purpose of financing certain emergency costs related to maintaining the public health and safety of the citizens of the county related to tornado damage incurred within the boundaries of the county. The note has a fixed interest rate of 1.5 percent with total principal and interest due on March 20, 2024. Upon an event of default, the trustee will 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 and unpaid from the fiscal court for principal, redemption price, interest or otherwise, under any provision of the general trust indenture or any series trust indenture or of the bonds, with interest on overdue payments at the rate or rates of interest specified in such bonds, together with any and all costs and expenses of collection and of all proceedings under the general trust indenture 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 provided by law, the moneys adjudged or decreed to be payable. The maturity date of the note is April 1, 2024.

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

**Note 6. Long-term Debt (Continued)**

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

**General Obligation Bond Anticipation Note, Series 2022 - Tornado Damage FEMA Project (Continued)**

The principal balance as of June 30, 2022, was \$2,085,000. Future principal and interest requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2023	\$	\$
2024	<u>2,085,000</u>	<u>31,275</u>
Totals	<u>\$ 2,085,000</u>	<u>\$ 31,275</u>

**B. Other Debt**

**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, 2022, Lyon County is in compliance with the financing agreement. The principal balance as of June 30, 2022, was \$423,422. Future principal and interest requirements are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2023	\$ 212,027	8,722
2024	<u>211,395</u>	<u>4,355</u>
Totals	<u>\$ 423,422</u>	<u>\$ 13,077</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>
Direct Borrowings and Direct Placements	\$	\$ 2,085,000	\$	\$ 2,085,000	\$
Other Debt - Bonds	<u>635,824</u>		<u>212,402</u>	<u>423,422</u>	<u>212,027</u>
Total Long-term Debt	<u>\$ 635,824</u>	<u>\$ 2,085,000</u>	<u>\$ 212,402</u>	<u>\$ 2,508,422</u>	<u>\$ 212,027</u>

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

**Note 6. Long-term Debt (Continued)**

**D. Aggregate Debt Schedule**

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

Fiscal Year Ended June 30	Other Debt		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2023	\$ 212,027	\$ 8,722	\$	\$
2024	211,395	4,355	2,085,000	31,275
Totals	<u>\$ 423,422</u>	<u>\$ 13,077</u>	<u>\$ 2,085,000</u>	<u>\$ 31,275</u>

**Note 7. Commitments and Contingencies**

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

**Note 8. 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 \$313,006, FY 2021 was \$332,239, and FY 2022 was \$381,631.

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.



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

**Note 8. Employee Retirement System (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 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.

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 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. 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 44.33 percent.

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

**Note 8. 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 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.

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

**Note 8. Employee Retirement System (Continued)**

Other Post-Employment Benefits (OPEB) (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 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.

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.

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.

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

**Note 9. 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 10. 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 Kentucky Employee Health Plan, a state-funded third-party administrator to administer the plan. Each year, the plan provides a debit card to each eligible employee to pay for qualified medical expenses.

**Note 11. Insurance**

For the fiscal year ended June 30, 2022, 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 12. Payroll Revolving Account**

The reconciled balance of the payroll revolving account as of June 30, 2022, was added to the general fund cash balance for financial reporting purposes.

**Note 13. Prior Period Adjustments**

The beginning balance of the general fund was restated by \$350 due to prior year voided checks.

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

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

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

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

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Taxes	\$ 1,125,500	\$ 1,146,153	\$ 1,281,771	\$ 135,618
In Lieu Tax Payments	373,000	373,000	343,252	(29,748)
Licenses and Permits	9,000	9,000	9,823	823
Intergovernmental	1,921,098	1,991,187	2,392,593	401,406
Charges for Services	127,500	127,500	133,982	6,482
Miscellaneous	10,000	10,000	56,196	46,196
Interest	10,000	10,000	10,552	552
Total Receipts	3,576,098	3,666,840	4,228,169	561,329
<b>DISBURSEMENTS</b>				
General Government	1,631,641	1,757,366	1,645,556	111,810
Protection to Persons and Property	143,879	2,823,814	2,717,569	106,245
General Health and Sanitation	252,020	260,395	257,008	3,387
Social Services		8,000	7,491	509
Recreation and Culture	115,000	130,471	121,293	9,178
Debt Service		2,016,668	1,456,656	560,012
Administration	2,548,110	1,735,010	706,834	1,028,176
Total Disbursements	4,690,650	8,731,724	6,912,407	1,819,317
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,114,552)	(5,064,884)	(2,684,238)	2,380,646
<b>Other Adjustments to Cash (Uses)</b>				
Bond Anticipation Note		2,000,000	2,085,000	85,000
Bond Anticipation Note Discount			(83,291)	(83,291)
Short Term Borrowing- Line of Credit		2,000,000	1,450,000	(550,000)
Transfers From Other Funds	226,000	226,000	4,478	(221,522)
Transfers To Other Funds	(1,161,448)	(1,161,448)	(1,122,348)	39,100
Total Other Adjustments to Cash (Uses)	(935,448)	3,064,552	2,333,839	(730,713)
Net Change in Fund Balance	(2,050,000)	(2,000,332)	(350,399)	1,649,933
Fund Balance - Beginning (Restated)	2,050,000	2,226,332	2,236,894	10,562
Fund Balance - Ending	\$ 0	\$ 226,000	\$ 1,886,495	\$ 1,660,495

**LYON 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	\$ 1,258,564	\$ 1,397,372	\$ 1,443,176	\$ 45,804
Miscellaneous	46,500	46,500	111,864	65,364
Interest	2,000	2,000	1,649	(351)
Total Receipts	<u>1,307,064</u>	<u>1,445,872</u>	<u>1,556,689</u>	<u>110,817</u>
<b>DISBURSEMENTS</b>				
Roads	1,060,850	1,503,565	1,488,834	14,731
Administration	<u>320,214</u>	<u>246,184</u>	<u>223,500</u>	<u>22,684</u>
Total Disbursements	<u>1,381,064</u>	<u>1,749,749</u>	<u>1,712,334</u>	<u>37,415</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(74,000)</u>	<u>(303,877)</u>	<u>(155,645)</u>	<u>148,232</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds	<u>(226,000)</u>	<u>(226,000)</u>		<u>226,000</u>
Total Other Adjustments to Cash (Uses)	<u>(226,000)</u>	<u>(226,000)</u>		<u>226,000</u>
Net Change in Fund Balance	(300,000)	(529,877)	(155,645)	374,232
Fund Balance - Beginning	<u>300,000</u>	<u>303,877</u>	<u>303,878</u>	<u>1</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (226,000)</u>	<u>\$ 148,233</u>	<u>\$ 374,233</u>



**LYON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2022**  
**(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	\$ 94,602	\$ (898)
Charges for Services	31,000	31,000	20,240	(10,760)
Miscellaneous	100	100	156	56
Interest	500	500	265	(235)
Total Receipts	127,100	127,100	115,263	(11,837)
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	452,300	455,225	394,549	60,676
Administration	67,900	77,444	40,197	37,247
Total Disbursements	520,200	532,669	434,746	97,923
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(393,100)	(405,569)	(319,483)	86,086
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	364,100	364,100	325,000	(39,100)
Total Other Adjustments to Cash (Uses)	364,100	364,100	325,000	(39,100)
Net Change in Fund Balance	(29,000)	(41,469)	5,517	46,986
Fund Balance - Beginning	29,000	41,469	41,469	
Fund Balance - Ending	\$ 0	\$ 0	\$ 46,986	\$ 46,986

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

<b>HB 577 FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 30,000	\$ 30,000	\$ 37,183	\$ 7,183
Interest	3,000	3,000	993	(2,007)
Total Receipts	33,000	33,000	38,176	5,176
<b>DISBURSEMENTS</b>				
General Government	55,000	55,000	12,208	42,792
Administration	218,000	249,840		249,840
Total Disbursements	273,000	304,840	12,208	292,632
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(240,000)	(271,840)	25,968	297,808
Net Change in Fund Balance	(240,000)	(271,840)	25,968	297,808
Fund Balance - Beginning	240,000	271,840	271,840	
Fund Balance - Ending	\$ 0	\$ 0	\$ 297,808	\$ 297,808

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

	<b>ABC FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Taxes	\$ 19,000	\$ 19,000	\$ 26,057	\$ 7,057
Licenses and Permits	1,500	1,500	1,700	200
Interest	25	25	134	109
Total Receipts	<u>20,525</u>	<u>20,525</u>	<u>27,891</u>	<u>7,366</u>
<b>DISBURSEMENTS</b>				
General Government	20,500	21,281	780	20,501
Administration	<u>20,025</u>	<u>21,119</u>		<u>21,119</u>
Total Disbursements	<u>40,525</u>	<u>42,400</u>	<u>780</u>	<u>41,620</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(20,000)</u>	<u>(21,875)</u>	<u>27,111</u>	<u>48,986</u>
Net Change in Fund Balance	(20,000)	(21,875)	27,111	48,986
Fund Balance - Beginning	<u>20,000</u>	<u>21,875</u>	<u>21,875</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 48,986</u>	<u>\$ 48,986</u>

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

<b>DOJ ASSET FORFEITURE FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)
	Original	Final	
			Variance with Final Budget Positive (Negative)
<b>RECEIPTS</b>			
Miscellaneous	\$ 360	\$ 310	\$ 310
Total Receipts	360	310	310
<b>DISBURSEMENTS</b>			
Administration	360	310	310
Total Disbursements	360	310	310
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			310
Net Change in Fund Balance			310
Fund Balance - Beginning			
Fund Balance - Ending	\$ 0	\$ 0	\$ 310

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

TREASURY ASSET FORFEITURE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 100	\$ 100	\$ 100	\$
Total Receipts	100	100	100	
DISBURSEMENTS				
Administration	100	100		100
Total Disbursements	100	100		100
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			100	100
Net Change in Fund Balance			100	100
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 100	\$ 100

**LYON 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		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Interest	\$	\$	\$ 1,828	\$ 1,828
Total Receipts			1,828	1,828
<b>DISBURSEMENTS</b>				
Capital Projects		1,594,696	426,078	1,168,618
Administration	1,594,696	122		122
Total Disbursements	1,594,696	1,594,818	426,078	1,168,740
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,594,696)	(1,594,818)	(424,250)	1,170,568
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	797,348	797,348	797,348	
Total Other Adjustments to Cash (Uses)	797,348	797,348	797,348	
Net Change in Fund Balance	(797,348)	(797,470)	373,098	1,170,568
Fund Balance - Beginning	797,348	797,470	797,470	
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,170,568	\$ 1,170,568

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

<b>INDIGENT SERVICES FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Interest	\$ 25	\$ 25	\$ 26	\$ 1
Total Receipts	25	25	26	1
<b>DISBURSEMENTS</b>				
Social Services	10,025	12,468	7,991	4,477
Total Disbursements	10,025	12,468	7,991	4,477
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(10,000)	(12,443)	(7,965)	4,478
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds			(4,478)	(4,478)
Total Other Adjustments to Cash (Uses)			(4,478)	(4,478)
Net Change in Fund Balance	(10,000)	(12,443)	(12,443)	
Fund Balance - Beginning	10,000	12,443	12,443	
Fund Balance - Ending	\$ 0	\$ 0	\$ 0	\$ 0

**LYON 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.

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

Reconciliation of the General Fund

Total Other Adjustments to Cash (Uses) - Budgetary Basis	\$ 2,333,839
To adjust for change in Payroll Revolving Account	<u>276</u>
Total Other Adjustments to Cash (Uses) - Regulatory Basis	<u><u>\$ 2,334,115</u></u>
 Fund Balance - Ending - Budgetary Basis	 \$ 1,886,495
To adjust for change in Payroll Revolving Account	<u>276</u>
Total Fund Balance - Ending - Regulatory Basis	<u><u>\$ 1,886,771</u></u>



**LYON COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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

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**LYON 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 Transportation</u></b>				
<i>Passed-Through Kentucky Transportation Cabinet</i>				
<i>Highway Safety Cluster</i>				
State and Community Highway Safety Grant	20.600	PT-2022-50	\$	\$ 5,620
<b>Total U.S. Department of Transportation</b>			\$	\$ 5,620
<b><u>U. S. Department of Treasury</u></b>				
<i>Direct Program</i>				
COVID-19 - Coronavirus State and Local Fiscal Recovery Fund	21.027		\$	\$ 426,078
<b>Total U.S. Department of Treasury</b>			\$	\$ 426,078
<b><u>Department of Homeland Security</u></b>				
<i>Passed-Through Kentucky Emergency Management</i>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-DR-4630-KY	\$ 77,495	\$ 2,856,856
Emergency Management Performance Grants	97.042	EMA-2021-EP-00012		9,578
<b>Total Department of Homeland Security</b>			\$ 77,495	\$ 2,866,434
<b><u>Election Commission</u></b>				
<i>Passed-Through State Board of Elections</i>				
2018 HAVA Election Security Grant	90.404	PON2 185 2200003213	\$	\$ 15,000
<b>Total Election Commission</b>			\$	\$ 15,000
<b>Total Expenditures of Federal Awards</b>			\$ 77,495	\$ 3,313,132

The accompanying notes are an integral part of this schedule

**LYON COUNTY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**June 30, 2022**

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Lyon 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 Lyon County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Lyon County, Kentucky.

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

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

**Note 3. Indirect Cost Rate**

Lyon 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.

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

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

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

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

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 792,403	\$	\$	\$ 792,403
Buildings	8,206,690			8,206,690
Vehicles and Equipment	1,911,398	106,986	139,043	1,879,341
Infrastructure	8,940,332	749,724		9,690,056
 Total Capital Assets	 <u>\$ 19,850,823</u>	 <u>\$ 856,710</u>	 <u>\$ 139,043</u>	 <u>\$ 20,568,490</u>

**LYON 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.

	<u>Capitalization Threshold</u>	<u>Useful Life (Years)</u>
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**

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 Jaime Green, Lyon County Judge/Executive  
The Honorable Adam Wade White, Former Lyon County Judge/Executive  
Members of the Lyon 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 Lyon County Fiscal Court for the fiscal year ended June 30, 2022, 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 22, 2023.

**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.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2022-001 and 2022-002 that we consider to be significant deficiencies.



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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**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 Questioned Costs. The county's responses were not subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we express no opinion on them.

**Purpose of this Report**

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

Respectfully submitted,

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

Mike Harmon  
Auditor of Public Accounts  
Frankfort, Ky

March 22, 2023

**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 Jaime Green, Lyon County Judge/Executive  
The Honorable Adam Wade White, Former Lyon County Judge/Executive  
Members of the Lyon County Fiscal Court

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

*Opinion on Each Major Federal Program*

We have audited the Lyon County Fiscal Court's compliance with the types of compliance requirements identified as subject to audit in the *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Lyon County Fiscal Court's major federal programs for the year ended June 30, 2022. The Lyon 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, Lyon 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 Lyon 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 Lyon 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 Lyon 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 Lyon 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 Lyon 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 Lyon 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 Lyon 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 Lyon 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

March 22, 2023

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

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

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**LYON 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 type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are any significant deficiencies identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None Reported
Are any noncompliances material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" 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>
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)

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

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

**Section II: Financial Statement Findings**

***Internal Control - Significant Deficiencies***

**2022-001    The Lyon County Fiscal Court's Schedule Of Expenditures Of Federal Awards Was Overstated**

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The Lyon County Fiscal Court's original schedule of federal awards 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 schedule of expenditures of federal awards 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 schedule of federal expenditures 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.

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

*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 preciously documented.*

**2022-002    The Lyon County Fiscal Court Did Not Maintain A Schedule Of Leases**

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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.

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

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

***Internal Control - Significant Deficiencies (Continued)***

**2022-002    The Lyon County Fiscal Court Did Not Maintain A Schedule Of Leases (Continued)**

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According to staff, the fiscal court was unaware that, regardless of the threshold, a schedule of leases needed to be maintained. 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 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.

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 the Department for Local Government and GASB 87 to ensure note disclosures are complete and adequate.

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

*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.

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

None.

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

Not applicable.