

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

**For The Year Ended
June 30, 2018**



**MIKE HARMON
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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

The Honorable Matthew G. Bevin, Governor

William M. Landrum III, Secretary

Finance and Administration Cabinet

The Honorable Kevin Henderson, Grayson County Judge/Executive

Members of the Grayson County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Grayson County Fiscal Court, for the year ended June 30, 2018, and the related notes to the financial statement which collectively comprise the Grayson County Fiscal Court's financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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



To the People of Kentucky

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Grayson County Fiscal Court as of June 30, 2018, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of the Grayson County Fiscal Court as of June 30, 2018, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

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 Grayson County Fiscal Court. The Budgetary Comparison Schedules and the Capital Asset Schedule 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 Capital Asset Schedule 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 Capital Asset Schedule are fairly stated in all material respects in relation to the financial statement as a whole.

To the People of Kentucky

The Honorable Matthew G. Bevin, Governor

William M. Landrum III, Secretary

Finance and Administration Cabinet

The Honorable Kevin Henderson, Grayson County Judge/Executive

Members of the Grayson County Fiscal Court

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2019, on our consideration of the Grayson 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 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 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 Grayson County Fiscal Court's internal control over financial reporting and compliance.

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

- 2018-001 The Grayson County Fiscal Court's Justice Center Public Properties Corporation Fund Financial Statement Was Materially Misstated
- 2018-002 The Grayson County Magistrates Were Paid An Expense Allowance For Services Not Rendered

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

January 28, 2019

GRAYSON COUNTY OFFICIALS**For The Year Ended June 30, 2018****Fiscal Court Members:**

Kevin Henderson (beginning August 22, 2017)	County Judge/Executive
Gary Logsdon (through July 31, 2017)	County Judge/Executive
Jason Dennis (beginning August 1, 2017 through August 21, 2017)	County Judge/Executive
Harold Johnson	Magistrate
Presto Gary	Magistrate
Bill Skaggs (through October 17, 2017)	Magistrate
Brenda Huffman (beginning November 27, 2017)	Magistrate
Randy Jason Dennis	Magistrate
Brad Brown	Magistrate
Curtis Wells	Magistrate

Other Elected Officials:

Clay Ratley	County Attorney
Jason Woosley	Jailer
Sherry Weedman	County Clerk
Stacie Blain	Circuit Court Clerk
Norman Chaffins	Sheriff
Ernie Perkins	Property Valuation Administrator
Joe Brad Hudson	Coroner

Appointed Personnel:

Angel Hayes	County Treasurer
Freida Alexander	Chief Financial Officer
Deadra Whitley	Occupational Tax Administrator
Sandy Farris	Jail Finance Officer

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

For The Year Ended June 30, 2018

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

For The Year Ended June 30, 2018

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 1,793,419	\$ 746,788	\$
In Lieu Tax Payments	27,377		
Excess Fees	272,278		
Licenses and Permits	17,644		
Intergovernmental	589,428	1,906,368	10,780,191
Charges for Services			84,049
Miscellaneous	37,845	57,579	521,211
Interest	393	290	5,154
Total Receipts	<u>2,738,384</u>	<u>2,711,025</u>	<u>11,390,605</u>
DISBURSEMENTS			
General Government	1,313,493	881	
Protection to Persons and Property	384,218		7,152,275
General Health and Sanitation	108,177		
Social Services			
Recreation and Culture	55,741		
Roads		2,489,960	
Debt Service	28,131	43,041	
Capital Projects			132,049
Administration	1,212,964	351,439	2,844,828
Total Disbursements	<u>3,102,724</u>	<u>2,885,321</u>	<u>10,129,152</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(364,340)</u>	<u>(174,296)</u>	<u>1,261,453</u>
Other Adjustments to Cash (Uses)			
Financing Obligation Proceeds	303,956		
Transfers From Other Funds	100,113	450,000	
Transfers To Other Funds	(272,490)	(100,113)	(1,037,603)
Total Other Adjustments to Cash (Uses)	<u>131,579</u>	<u>349,887</u>	<u>(1,037,603)</u>
Net Change in Fund Balance	(232,761)	175,591	223,850
Fund Balance - Beginning	887,402	270,515	2,759,863
Fund Balance - Ending	<u>\$ 654,641</u>	<u>\$ 446,106</u>	<u>\$ 2,983,713</u>
Composition of Fund Balance			
Bank Balance	\$ 657,481	\$ 446,148	\$ 2,931,536
Plus: Deposits In Transit	3,957	7,350	
Less: Outstanding Checks	(6,797)	(7,392)	(197,823)
Certificates of Deposit			250,000
Fund Balance - Ending	<u>\$ 654,641</u>	<u>\$ 446,106</u>	<u>\$ 2,983,713</u>

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

GRAYSON COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2018
(Continued)

<u>Budgeted Funds</u>	
<u>Local Government Economic Assistance Fund</u>	<u>E-911 Fund</u>
\$	\$ 460,417
74,871	60,000
15,599	1,587
28	12
<u>90,498</u>	<u>522,016</u>
16,376	
26,416	505,343
4,782	
1,177	
19,761	
12,544	
5,142	
600	180,915
<u>86,798</u>	<u>686,258</u>
<u>3,700</u>	<u>(164,242)</u>
12,490	140,000
<u>12,490</u>	<u>140,000</u>
16,190	(24,242)
41,169	27,861
<u>\$ 57,359</u>	<u>\$ 3,619</u>
\$ 59,169	\$ 7,547
(1,810)	(3,928)
<u>\$ 57,359</u>	<u>\$ 3,619</u>

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

GRAYSON COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2018
(Continued)

	<u>Unbudgeted Funds</u>			<u>Total Funds</u>
	<u>Justice Center Public Properties Corporation Fund</u>	<u>Detention Center Public Properties Corporation Fund</u>	<u>Jail Commissary Fund</u>	
RECEIPTS				
Taxes	\$	\$	\$	\$ 3,000,624
In Lieu Tax Payments				27,377
Excess Fees				272,278
Licenses and Permits				17,644
Intergovernmental	765,556			14,116,414
Charges for Services				144,049
Miscellaneous			1,452,167	2,085,988
Interest	6,612	2,611	271	15,371
Total Receipts	<u>772,168</u>	<u>2,611</u>	<u>1,452,438</u>	<u>19,679,745</u>
DISBURSEMENTS				
General Government				1,330,750
Protection to Persons and Property				8,068,252
General Health and Sanitation				112,959
Social Services				1,177
Recreation and Culture			1,324,540	1,400,042
Roads				2,502,504
Debt Service	762,556	697,850		1,536,720
Capital Projects				132,049
Administration	1,500			4,592,246
Total Disbursements	<u>764,056</u>	<u>697,850</u>	<u>1,324,540</u>	<u>19,676,699</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>8,112</u>	<u>(695,239)</u>	<u>127,898</u>	<u>3,046</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds				303,956
Transfers From Other Funds		707,603		1,410,206
Transfers To Other Funds				(1,410,206)
Total Other Adjustments to Cash (Uses)		<u>707,603</u>		<u>303,956</u>
Net Change in Fund Balance	8,112	12,364	127,898	307,002
Fund Balance - Beginning	797,349	497,299	390,135	5,671,593
Fund Balance - Ending	<u>\$ 805,461</u>	<u>\$ 509,663</u>	<u>\$ 518,033</u>	<u>\$ 5,978,595</u>
Composition of Fund Balance				
Bank Balance	\$ 805,461	\$ 509,663	\$ 580,238	\$ 5,997,243
Plus: Deposits In Transit			25	11,332
Less: Outstanding Checks			(62,230)	(279,980)
Certificates of Deposit				250,000
Fund Balance - Ending	<u>\$ 805,461</u>	<u>\$ 509,663</u>	<u>\$ 518,033</u>	<u>\$ 5,978,595</u>

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

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TO THE FINANCIAL STATEMENT**

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GRAYSON COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2018

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The Grayson County Tourism Commission would have been included in the reporting entity under accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. However, under the regulatory basis they are no longer are required components of the reporting entity. To obtain a copy of the audit report contact the Grayson County Fiscal Court at 10 Public Square, Leitchfield, Kentucky, 42754.

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.

GRAYSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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.

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

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

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Justice Center 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 the Grayson County Justice Center. The Department for Local Government does not require the fiscal court to report or budget these funds.

Detention Center Public Properties Corporation Fund - The primary purpose of this fund is to account for the proceeds and debt service of general obligation bonds that were issued to fund the Grayson County Detention Center. The Department for Local Government does not require the fiscal court to report or budget these funds.

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

D. Budgetary Information

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

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

GRAYSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information (Continued)

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

The state local finance officer does not require the jail commissary fund to be budgeted because the fiscal court does not approve the expenses of this fund.

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

E. Grayson County Elected Officials

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

GRAYSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 2. Deposits

The fiscal court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the fiscal court and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of June 30, 2018, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2018.

	General Fund	Road Fund	Jail Fund	Total Transfers In
General Fund	\$	\$ 100,113	\$	\$ 100,113
Road Fund	200,000		250,000	450,000
LGEA Fund	12,490			12,490
E-911 Fund	60,000		80,000	140,000
Detention Center Public Properties Corporation Fund			707,603	707,603
Total Transfers Out	<u>\$ 272,490</u>	<u>\$ 100,113</u>	<u>\$ 1,037,603</u>	<u>\$ 1,410,206</u>

Reason for transfers:

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

Note 4. Agency Trust Funds

Agency trust funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments.

The fiscal court has the following agency trust fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2018, was \$180,692.

GRAYSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 5. Long-term Debt

A. General Obligation Refunding Bonds, Series 2006 – Detention Center

In October 2006, the Detention Center Public Properties Corporation issued \$8,135,000 in General Obligation Refunding Bonds, Series 2006 for the purpose of defeasing the 1999 General Obligation Improvement Series 1999 Bonds that were used for the construction of the Detention Center. At June 30, 2018, the principal outstanding on these bonds was \$4,255,000. Future bond principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2019	\$ 540,000	\$ 157,575
2020	560,000	136,400
2021	580,000	114,310
2022	605,000	90,900
2023	630,000	66,200
2024-2025	<u>1,340,000</u>	<u>54,200</u>
Totals	<u>\$ 4,255,000</u>	<u>\$ 619,585</u>

B. Financing Obligation - Judicial Center Property

On December 10, 2004, Grayson County entered into a long-term lease agreement with Kentucky Association of Counties Leasing Trust in the amount of \$300,000 at a variable rate of interest for a period of 25 years. The financing obligation was for funding the purchase of the property for the Judicial Center. At June 30, 2018, the principal outstanding was \$180,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2019	\$ 10,000	\$ 8,560
2020	10,000	8,074
2021	15,000	7,347
2022	15,000	6,603
2023	15,000	5,857
2024-2028	75,000	18,153
2029-2030	<u>40,000</u>	<u>1,265</u>
Totals	<u>\$ 180,000</u>	<u>\$ 55,859</u>

GRAYSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 5. Long-term Debt (Continued)

C. Financing Obligation - Road Grader

In May 2006, Grayson County entered into an agreement with Kentucky Association of Counties Leasing Trust in the amount of \$140,167 at 4.3 percent interest for a period of 15 years. The funds were used for the purchase of a road grader. At June 30, 2018, the principal outstanding was \$36,029. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2019	\$ 11,767	\$ 1,769
2020	12,369	1,166
2021	11,893	516
Totals	<u>\$ 36,029</u>	<u>\$ 3,451</u>

D. Financing Obligation - Skate Park

In November 2006, Grayson County entered into an agreement with Kentucky Association of Counties Leasing Trust in the amount of \$50,000 at 4.365 percent interest for a period of 15 years. The funds were used to fund the skate park. At June 30, 2018, the principal outstanding was \$15,525. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2019	\$ 4,213	\$ 1,057
2020	4,479	787
2021	4,762	498
2022	2,071	118
Totals	<u>\$ 15,525</u>	<u>\$ 2,460</u>

E. Lease Revenue Bonds, Series 2007 - Judicial Center

On September 11, 2007, the Judicial Center Public Properties Corporation issued \$12,115,000 in Lease Revenue Bonds, Series 2007 for the purpose of constructing a new Judicial Center. The Grayson County Public Properties Corporation, Administrative Office of the Courts (AOC), and the county entered into a lease agreement for the purpose of obtaining office rental space for AOC at the Judicial Center. Grayson County and the Public Properties Corporation acted as agents for AOC in order to plan, design, and construct the Judicial Center. At June 30, 2018, these bonds were advanced and partially refunded by the Lease Revenue Refunding Bonds, Series 2015 and \$8,140,000 of lease revenue refunding bonds was issued. These bonds were paid off as scheduled as of June 30, 2018.

GRAYSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 5. Long-term Debt (Continued)

F. Lease Revenue Refunding Bonds, Series 2015 - Judicial Center

Grayson County Public Properties Corporation, an agency and instrumentality of the Grayson County Fiscal Court, issued Lease Revenue Refunding Bonds, Series 2015, dated April 7, 2015, for the purpose of refinancing the Lease Revenue Bonds, Series 2007 issue. On April 7, 2015, \$8,140,000 of lease revenue refunding bonds was issued. Interest is payable semi-annually on September 1 and March 1 of each year at of rate of 3 percent. Principal is payable annually on September 1 of each year. The maturity date of the lease revenue refunding bonds is September 1, 2027. The corporation entered into an annually renewable Memorandum of Understanding with the Administrative Office of The Courts (AOC), Commonwealth of Kentucky, for rental payments sufficient to pay 100 percent of the debt service on the bonds. As of June 30, 2018, bonds outstanding were \$8,140,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2019	\$ 740,000	\$ 172,687
2020	755,000	157,738
2021	775,000	142,437
2022	790,000	126,787
2023	795,000	110,938
2024-2028	<u>4,285,000</u>	<u>268,656</u>
Totals	<u>\$ 8,140,000</u>	<u>\$ 979,243</u>

G. Financing Obligation -Patcher

On June 28, 2013, Grayson County entered into an agreement with Kentucky Association of Counties Leasing Trust in the amount of \$69,200 at 2.69 percent interest for a period of ten years. The funds were used to finance the purchase of a patcher for the Road Department. At June 30, 2018, the principal outstanding was \$35,177. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2019	\$ 6,920	\$ 1,435
2020	6,920	1,151
2021	6,920	831
2022	6,920	515
2023	6,920	198
2024	<u>577</u>	<u>2</u>
Totals	<u>\$ 35,177</u>	<u>\$ 4,132</u>

GRAYSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 5. Long-term Debt (Continued)

H. Financing Obligation -Tractor/Mower

On April 6, 2017, Grayson County entered into an agreement with Kentucky Association of Counties Leasing Trust in the amount of \$129,997 at 3.431 percent interest for of period of seven years. The funds were used to finance the purchase of a tractor with mower for the Road Department. At June 30, 2018, the principal outstanding was \$92,453. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2019	\$ 18,177	\$ 2,888
2020	18,661	2,256
2021	19,158	1,608
2022	19,668	943
2023	16,789	265
Totals	<u>\$ 92,453</u>	<u>\$ 7,960</u>

I. Financing Obligation - Ambulances

On April 17, 2018, Grayson County entered into an agreement with Lease One Magnolia in the amount of \$272,118 at 3.20 percent interest for of period of five years. The funds were used to finance the purchase of two ambulances for Emergency Management Service, Incorporated. At June 30, 2018, the principal outstanding was \$244,060. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2019	\$ 47,449	\$ 6,974
2020	48,990	5,433
2021	50,582	3,842
2022	52,225	2,199
2023	44,814	539
Totals	<u>\$ 244,060</u>	<u>\$ 18,987</u>

J. Financing Obligation - EMS Equipment

On April 17, 2018, Grayson County entered into an agreement with Zoll Medical Corporation in the amount of \$52,804 with no interest for of period of two years beginning July 31, 2018. The funds were used to finance the purchase of heart monitors/defibrillators for Emergency Management Service, Incorporated. At June 30, 2018, the principal outstanding was \$52,804. Future principal requirements are:

GRAYSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 5. Long-term Debt (Continued)

J. Financing Obligation - EMS Equipment (Continued)

Fiscal Year Ending June 30	Principal
2019	\$ 20,066
2020	<u>32,738</u>
Totals	<u>\$ 52,804</u>

K. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Refunding Lease	\$ 4,775,000	\$	\$ 520,000	\$ 4,255,000	\$ 540,000
Revenue Bonds	8,710,000		570,000	8,140,000	740,000
Financing Obligations	<u>408,966</u>	<u>303,956</u>	<u>56,874</u>	<u>656,048</u>	<u>118,592</u>
Total Long-term Debt	<u>\$ 13,893,966</u>	<u>\$ 303,956</u>	<u>\$ 1,146,874</u>	<u>\$ 13,051,048</u>	<u>\$ 1,398,592</u>

Note 6. Contingencies

The county is involved in multiple lawsuits that arose from the normal course of doing business. 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 7. Employee Retirement System

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute.

The county's contribution for FY 2016 was \$1,517,276, FY 2017 was \$1,507,470, and FY 2018 was \$1,519,876.

GRAYSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 7. Employee Retirement System (Continued)

Nonhazardous

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

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

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 19.18 percent.

Hazardous

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

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

Members in the plan contribute a set percentage of their salary each month to their own accounts. Hazardous members contribute 8 percent of their annual creditable compensation and also contribute 1 percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board 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.

GRAYSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 7. Employee Retirement System (Continued)

Hazardous (Continued)

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 31.55 percent.

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:

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

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

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

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

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

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

GRAYSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 7. Employee Retirement System (Continued)

B. Health Insurance Coverage - Tier 2 and Tier 3 - Nonhazardous (Continued)

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

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

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

Once members reach a minimum vesting period of 15 years, 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%. 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% COLA since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

D. Cost of Living Adjustments - Tier 1

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of KRS benefits. During the 2008 Special Session, the General Assembly determined that each July beginning in 2009, retirees who have been receiving a retirement allowance for at least 12 months will receive an automatic COLA of 1.5%. 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, KRS will pay a \$5,000 death benefit payment to the beneficiary designated by the member specifically for this benefit. Members with multiple accounts are entitled to only one death benefit.

KRS Annual Financial Report and Proportionate Share Audit Report

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

GRAYSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 7. Employee Retirement System (Continued)

KRS Annual Financial Report and Proportionate Share Audit Report (Continued)

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

Note 8. Deferred Compensation

The Grayson 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 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 9. Insurance

For the fiscal year ended June 30, 2018, the Grayson 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 10. Related Party Transactions

During the year ended June 30, 2018, the fiscal court paid \$971 to a company, owned by the county judge/executive's son, for landscaping services at the Rock Creek voting house. The fiscal court paid \$35,119 to a company, owned by the jailer's sister-in-law, for uniforms. The fiscal court paid \$2,495 to a company, owned by the jailer's brother, for upholstery work. The fiscal court paid \$1,008 to a company, owned by the jail finance officer's daughter, for miscellaneous supplies. The fiscal court paid \$180 to the county treasurer's son for straw used at the Amphitheater Park.

GRAYSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 11. Conduit Debt

From time to time the county has issued bonds to provide financial assistance to various agencies for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest, in accordance with KRS 103.210. This debt may take the form of certain types of limited-obligation revenue bonds, certificates of participation, or similar debt instruments. Although conduit debt obligations bear the Grayson County Fiscal Court's name as issuer, the fiscal court has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf it is issued. Neither the fiscal court nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statement. As of June 30, 2018, conduit debt has been issued but the amount currently outstanding is not reasonably determinable.

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

For The Year Ended June 30, 2018

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GRAYSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2018

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,789,000	\$ 1,789,000	\$ 1,793,419	\$ 4,419
In Lieu Tax Payments	23,000	23,000	27,377	4,377
Excess Fees	168,587	168,587	272,278	103,691
Licenses and Permits	18,332	18,332	17,644	(688)
Intergovernmental	483,851	483,851	589,428	105,577
Miscellaneous	49,500	49,500	37,845	(11,655)
Interest	250	250	393	143
Total Receipts	<u>2,532,520</u>	<u>2,532,520</u>	<u>2,738,384</u>	<u>205,864</u>
DISBURSEMENTS				
General Government	1,241,865	1,462,256	1,313,493	148,763
Protection to Persons and Property	74,895	387,128	384,218	2,910
General Health and Sanitation	126,490	108,690	108,177	513
Recreation and Culture	55,000	59,000	55,741	3,259
Debt Service	19,061	28,261	28,131	130
Administration	1,955,322	1,715,254	1,212,964	502,290
Total Disbursements	<u>3,472,633</u>	<u>3,760,589</u>	<u>3,102,724</u>	<u>657,865</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(940,113)</u>	<u>(1,228,069)</u>	<u>(364,340)</u>	<u>863,729</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds		303,956	303,956	
Transfers From Other Funds	100,113	100,113	100,113	
Transfers To Other Funds	(60,000)	(60,000)	(272,490)	(212,490)
Total Other Adjustments to Cash (Uses)	<u>40,113</u>	<u>344,069</u>	<u>131,579</u>	<u>(212,490)</u>
Net Change in Fund Balance	(900,000)	(884,000)	(232,761)	651,239
Fund Balance - Beginning	900,000	900,000	887,402	(12,598)
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 16,000</u>	<u>\$ 654,641</u>	<u>\$ 638,641</u>

GRAYSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 640,000	\$ 640,000	\$ 746,788	\$ 106,788
Intergovernmental	2,037,367	2,037,367	1,906,368	(130,999)
Miscellaneous	25,500	25,500	57,579	32,079
Interest	250	250	290	40
Total Receipts	<u>2,703,117</u>	<u>2,703,117</u>	<u>2,711,025</u>	<u>7,908</u>
DISBURSEMENTS				
General Government	15,000	5,000	881	4,119
Roads	2,409,500	2,694,826	2,489,960	204,866
Debt Service	43,042	43,042	43,041	1
Administration	410,462	385,136	351,439	33,697
Total Disbursements	<u>2,878,004</u>	<u>3,128,004</u>	<u>2,885,321</u>	<u>242,683</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(174,887)</u>	<u>(424,887)</u>	<u>(174,296)</u>	<u>250,591</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			450,000	450,000
Transfers To Other Funds	(100,113)	(100,113)	(100,113)	
Total Other Adjustments to Cash (Uses)	<u>(100,113)</u>	<u>(100,113)</u>	<u>349,887</u>	<u>450,000</u>
Net Change in Fund Balance	(275,000)	(525,000)	175,591	700,591
Fund Balance - Beginning	<u>275,000</u>	<u>275,000</u>	<u>270,515</u>	<u>(4,485)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (250,000)</u>	<u>\$ 446,106</u>	<u>\$ 696,106</u>

GRAYSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 10,037,400	\$ 10,037,400	\$ 10,780,191	\$ 742,791
Charges for Services	77,000	77,000	84,049	7,049
Miscellaneous	452,800	452,800	521,211	68,411
Interest	7,000	7,000	5,154	(1,846)
Total Receipts	<u>10,574,200</u>	<u>10,574,200</u>	<u>11,390,605</u>	<u>816,405</u>
DISBURSEMENTS				
Protection to Persons and Property	7,119,974	7,507,332	7,152,275	355,057
Debt Service	707,931	714,598		714,598
Capital Projects		132,049	132,049	
Administration	4,886,295	4,090,221	2,844,828	1,245,393
Total Disbursements	<u>12,714,200</u>	<u>12,444,200</u>	<u>10,129,152</u>	<u>2,315,048</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,140,000)</u>	<u>(1,870,000)</u>	<u>1,261,453</u>	<u>3,131,453</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(60,000)</u>	<u>(60,000)</u>	<u>(1,037,603)</u>	<u>(977,603)</u>
Total Other Adjustments to Cash (Uses)	<u>(60,000)</u>	<u>(60,000)</u>	<u>(1,037,603)</u>	<u>(977,603)</u>
Net Change in Fund Balance	(2,200,000)	(1,930,000)	223,850	2,153,850
Fund Balance - Beginning	<u>2,200,000</u>	<u>2,200,000</u>	<u>2,759,863</u>	<u>559,863</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 270,000</u>	<u>\$ 2,983,713</u>	<u>\$ 2,713,713</u>

GRAYSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 102,678	\$ 102,678	\$ 74,871	\$ (27,807)
Miscellaneous	1,000	1,000	15,599	14,599
Interest	40	40	28	(12)
Total Receipts	<u>103,718</u>	<u>103,718</u>	<u>90,498</u>	<u>(13,220)</u>
DISBURSEMENTS				
General Government	6,100	16,500	16,376	124
Protection to Persons and Property	28,216	28,216	26,416	1,800
General Health and Sanitation	9,000	14,000	4,782	9,218
Social Services	700	1,800	1,177	623
Recreation and Culture	20,000	20,000	19,761	239
Roads	12,551	12,551	12,544	7
Debt Service	5,143	5,143	5,142	1
Administration	42,008	25,508	600	24,908
Total Disbursements	<u>123,718</u>	<u>123,718</u>	<u>86,798</u>	<u>36,920</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(20,000)</u>	<u>(20,000)</u>	<u>3,700</u>	<u>23,700</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			12,490	12,490
Total Other Adjustments to Cash (Uses)			<u>12,490</u>	<u>12,490</u>
Net Change in Fund Balance	(20,000)	(20,000)	16,190	36,190
Fund Balance - Beginning	20,000	20,000	41,169	21,169
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 57,359</u>	<u>\$ 57,359</u>

GRAYSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018
(Continued)

	E-911 Fund			
	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 444,000	\$ 444,000	\$ 460,417	\$ 16,417
Charges for Services	60,000	60,000	60,000	
Miscellaneous	500	500	1,587	1,087
Interest	10	10	12	2
Total Receipts	<u>504,510</u>	<u>504,510</u>	<u>522,016</u>	<u>17,506</u>
DISBURSEMENTS				
Protection to Persons and Property	438,100	507,340	505,343	1,997
Administration	195,410	181,031	180,915	116
Total Disbursements	<u>633,510</u>	<u>688,371</u>	<u>686,258</u>	<u>2,113</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(129,000)</u>	<u>(183,861)</u>	<u>(164,242)</u>	<u>19,619</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>120,000</u>	<u>120,000</u>	<u>140,000</u>	<u>20,000</u>
Total Other Adjustments to Cash (Uses)	<u>120,000</u>	<u>120,000</u>	<u>140,000</u>	<u>20,000</u>
Net Change in Fund Balance	(9,000)	(63,861)	(24,242)	39,619
Fund Balance - Beginning	<u>9,000</u>	<u>27,861</u>	<u>27,861</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (36,000)</u>	<u>\$ 3,619</u>	<u>\$ 39,619</u>

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

June 30, 2018

Note 1. Budgetary Information

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

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

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

**GRAYSON COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis**

For The Year Ended June 30, 2018

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GRAYSON COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2018

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Land	\$ 1,087,759	\$	\$	\$ 1,087,759
Buildings and Building Improvements	24,467,720	211,997		24,679,717
Vehicles and Equipment	3,616,850	453,115	34,600	4,035,365
Infrastructure	11,365,780	1,485,601		12,851,381
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Capital Assets	<u>\$ 40,538,109</u>	<u>\$ 2,150,713</u>	<u>\$ 34,600</u>	<u>\$ 42,654,222</u>

**GRAYSON COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - SCHEDULE OF CAPITAL ASSETS**

June 30, 2018

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	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Equipment	\$ 15,000	3-25
Vehicles	\$ 12,500	3.25
Infrastructure	\$ 20,000	10-50

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Kevin Henderson, Grayson County Judge/Executive
Members of the Grayson County Fiscal Court

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

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Grayson County Fiscal Court for the fiscal year ended June 30, 2018, and the related notes to the financial statement which collectively comprise the Grayson County Fiscal Court's financial statement and have issued our report thereon dated January 28, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Grayson County Fiscal Court's internal control over financial reporting (internal control) to determine the 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 Grayson County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Grayson County Fiscal Court's internal control.

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. However, as described in the accompanying Schedule of Findings and Responses, we identified a certain deficiency in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2018-001 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2018-002 to be a significant deficiency.

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 Grayson 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2018-002.

Views of Responsible Officials and Planned Corrective Action

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

Purpose of this Report

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

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

January 28, 2019

**GRAYSON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2018

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**GRAYSON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2018

FINANCIAL STATEMENT FINDINGS:

2018-001 The Grayson County Fiscal Court's Justice Center Public Properties Corporation Fund Financial Statement Was Materially Misstated

In fiscal year ending June 30, 2015, the Grayson County Fiscal Court received revenue in the amount of \$7,512,928 from a refunding bond. These funds were recognized in fiscal year 2015 and remained in an escrow account until fiscal year 2018. On September 1, 2017, the fiscal court transferred the funds to the Justice Center Public Properties Corporation account and then disbursed the funds. The fiscal court recognized the transfer and payment as intergovernmental receipts and debt service disbursements on their fiscal year ending June 30, 2018 Judicial Center Public Properties Corporation Fund financial statement, requiring material adjustments.

The fiscal court was unaware that reporting the transferred funds in this manner would inadvertently double post these receipts and disbursements to the Judicial Center Public Properties Corporation Fund. Materially misstated financial statements do not provide a complete and accurate overview of the county's financial position and result in noncompliance of KRS 68.210.

According to the Governmental Accounting Standards Board (GASB) statement number 7, paragraph 19, "the Board believes that an advance refunding is a single transaction consisting of two components: issuance of new debt and payment to an escrow agent to defease the old debt." Since this single transaction occurred in 2015, there would not be a transaction to record when the escrow agent issues payments for the old debt.

We recommend the Grayson County Fiscal Court ensure that correct amounts are shown on all financial statements presented to the public and to the Department for Local Government.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: It was our understanding that all activity listed on our bond bank statements had to be included on our bond financial statements. We were unaware that we had double posted the receipts and expenses when we recorded the September 2017 transferring of funds. Since the receipts and disbursements were both overstated by the exact amount, this overstatement resulted in a zero net effect and therefore our totals for 6-30-18 financial statements were correct. In the future, all advance bond refunding will be examined carefully to ensure that they are accurately reported on our bond financial statements.

Auditor's Reply: While cash balances on the financial statements were accurate, total receipts and disbursements were materially overstated.

2018-002 The Grayson County Magistrates Were Paid An Expense Allowance For Services Not Rendered

This is a repeat finding and was included in the prior year audit report as finding 2017-004. Each of Grayson County's magistrates were paid an expense allowance of \$3,600 during fiscal year ended June 30, 2018. None of the magistrates served on a fiscal court committee, which is a requirement to be eligible to receive the expense allowance. Due to lack of management oversight, the magistrates were not aware of the requirement. As a result, magistrates were paid for services not actually rendered.

KRS 64.530(6) states "[j]ustices of the peace and county commissioners shall not receive any compensation for their services on the fiscal court, other than as provided by this section; provided, however, justices of the peace and county commissioners may receive no more than three thousand six hundred dollars (\$3,600) annually or three hundred dollars (\$300) per month as an expense allowance for serving on committees of the fiscal court."

**GRAYSON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2018
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2018-002 The Grayson County Magistrates Were Paid An Expense Allowance For Services Not Rendered
(Continued)

In Polston v. King, 965 S.W.2d 143, 145 (Ky. 1998) the Kentucky Supreme Court stated “[t]he legislature modified KRS 64.530(6) in 1984 to include the language that the expense allowances were ‘for serving on committees of fiscal court.’ We agree...this language apparently bars payment for expense allowances absent the required committee service.”

We recommend the Grayson County magistrates not be paid an expense allowance unless they serve on working committees of the fiscal court.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive’s Response: At our exit conference for the 6-30-17 audit held on 11-8-18, we were informed that magistrates were required to serve on Fiscal Court committees in order to receive the \$3,600 expense allowance. At our next Fiscal Court meeting held on 11-20-18, magistrates were appointed to Fiscal Court committees.

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

GRAYSON COUNTY FISCAL COURT

For The Year Ended June 30, 2018

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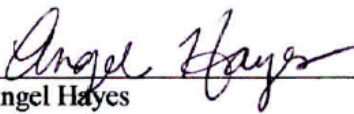
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
GRAYSON COUNTY FISCAL COURT

For The Year Ended June 30, 2018

The Grayson County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Kevin Henderson
County Judge/Executive



Angel Hayes
County Treasurer