

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

**For The Year Ended  
June 30, 2020**



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

To the People of Kentucky  
The Honorable Andy Beshear, Governor  
Holly M. Johnson, Secretary  
Finance and Administration Cabinet  
The Honorable 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, 2020, 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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Members of the Grayson 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 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, 2020, 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, 2020, 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 and Other 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 (supplementary information) and Schedule of Capital Assets (other information) are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

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

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

To the People of Kentucky  
The Honorable Andy Beshear, Governor  
Holly M. Johnson, Secretary  
Finance and Administration Cabinet  
The Honorable 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 8, 2021, 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 finding:

2020-001 Grayson County Failed To Properly Account For The General Obligation Bond Fund

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

January 8, 2021

**GRAYSON COUNTY OFFICIALS****For The Year Ended June 30, 2020****Fiscal Court Members:**

Kevin Henderson	County Judge/Executive
Tommy Higdon	Magistrate
Damon Hornback	Magistrate
Neal Saltsman	Magistrate
Darin Whitely	Magistrate
Brian Ashley	Magistrate
Robbie Higdon (through July 7, 2019)	Magistrate
Kevin Fulkerson (through July 23, 2019)	Magistrate

**Other Elected Officials:**

Jeremy Logsdon	County Attorney
Jason Woosley	Jailer
Charlotte Willis	County Clerk
Stacie M. Blain	Circuit Court Clerk
Norman Chaffins	Sheriff
Ernie Perkins	Property Valuation Administrator
Joe Brad Hudson	Coroner

**Appointed Personnel:**

Angel Hayes	County Treasurer
Freida Alexander	Finance 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, 2020**

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

**For The Year Ended June 30, 2020**

	<b>Budgeted Funds</b>			
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Local Government Economic Assistance Fund</b>
<b>RECEIPTS</b>				
Taxes	\$ 1,929,311	\$ 837,731	\$	\$
In Lieu Tax Payments	29,142			
Excess Fees	344,452			
Licenses and Permits	18,176			
Intergovernmental	620,431	2,905,652	11,377,802	169,677
Charges for Services			81,617	
Miscellaneous	275,096	48,366	588,683	83
Interest	277	4,315	4,605	41
Total Receipts	<u>3,216,885</u>	<u>3,796,064</u>	<u>12,052,707</u>	<u>169,801</u>
<b>DISBURSEMENTS</b>				
General Government	1,450,606		12,500	13,906
Protection to Persons and Property	65,566		7,299,923	25,934
General Health and Sanitation	91,669			21,556
Social Services				26,399
Recreation and Culture	76,216			19,728
Roads		3,429,060		
Bus Services				12,890
Debt Service	70,813	117,100		59,689
Capital Projects	235,000		1,146,268	
Administration	1,514,074	343,300	3,024,891	600
Total Disbursements	<u>3,503,944</u>	<u>3,889,460</u>	<u>11,483,582</u>	<u>180,702</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(287,059)</u>	<u>(93,396)</u>	<u>569,125</u>	<u>(10,901)</u>
<b>Other Adjustments to Cash (Uses)</b>				
Bond Proceeds				
Financing Obligation Proceeds		262,750		
Bond Premium				
Bond Discount				
Payment to Escrow Agent				
Transfers From Other Funds	348,291	500,000	547,209	
Transfers To Other Funds	(60,000)	(603,291)	(1,886,937)	
Total Other Adjustments to Cash (Uses)	<u>288,291</u>	<u>159,459</u>	<u>(1,339,728)</u>	
Net Change in Fund Balance	1,232	66,063	(770,603)	(10,901)
Fund Balance - Beginning (Restated)	582,524	653,886	2,190,971	68,626
Fund Balance - Ending	<u>\$ 583,756</u>	<u>\$ 719,949</u>	<u>\$ 1,420,368</u>	<u>\$ 57,725</u>
<b>Composition of Fund Balance</b>				
Bank Balance	\$ 599,134	\$ 717,042	\$ 1,266,553	\$ 58,274
Plus: Deposits In Transit	3,067	3,748		
Less: Outstanding Checks	(18,445)	(841)	(96,185)	(549)
Certificates of Deposit			250,000	
Fund Balance - Ending	<u>\$ 583,756</u>	<u>\$ 719,949</u>	<u>\$ 1,420,368</u>	<u>\$ 57,725</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, 2020**  
**(Continued)**

Budgeted Funds		Unbudgeted Funds				
Federal Grant Fund	E-911 Fund	General Obligation Bond Fund	Justice Center Public Properties Corporation Fund	Jail Commissary Fund	Total Funds	
\$	\$ 452,289	\$	\$	\$	\$ 3,219,331	
					29,142	
					344,452	
					18,176	
52,500			914,238		16,040,300	
	60,000				141,617	
	46			1,386,766	2,299,040	
	13	133,276	210	285	143,022	
<u>52,500</u>	<u>512,348</u>	<u>133,276</u>	<u>914,448</u>	<u>1,387,051</u>	<u>22,235,080</u>	
					1,477,012	
	526,375				7,917,798	
					113,225	
					26,399	
				1,345,817	1,441,761	
					3,429,060	
					12,890	
		4,654,272	912,738		5,814,612	
		3,824,227			5,205,495	
	209,440	188,246	1,500		5,282,051	
	<u>735,815</u>	<u>8,666,745</u>	<u>914,238</u>	<u>1,345,817</u>	<u>30,720,303</u>	
<u>52,500</u>	<u>(223,467)</u>	<u>(8,533,469)</u>	<u>210</u>	<u>41,234</u>	<u>(8,485,223)</u>	
		17,000,000			17,000,000	
					262,750	
		494,641			494,641	
		(212,638)			(212,638)	
		(3,787,722)			(3,787,722)	
	205,500	1,006,937			2,607,937	
(52,500)		(5,209)			(2,607,937)	
<u>(52,500)</u>	<u>205,500</u>	<u>14,496,009</u>			<u>13,757,031</u>	
	(17,967)	5,962,540	210	41,234	5,271,808	
	18,700	525,014	4,050	481,600	4,525,371	
\$ 0	\$ 733	\$ 6,487,554	\$ 4,260	\$ 522,834	\$ 9,797,179	
\$	\$ 1,875	\$ 6,487,554	\$ 4,260	\$ 561,607	\$ 9,696,299	
					6,815	
	(1,142)			(38,773)	(155,935)	
					250,000	
<u>\$ 0</u>	<u>\$ 733</u>	<u>\$ 6,487,554</u>	<u>\$ 4,260</u>	<u>\$ 522,834</u>	<u>\$ 9,797,179</u>	

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

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**GRAYSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**

**June 30, 2020**

**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 required components of the reporting entity. A copy of the audit can be obtained from the Grayson County Fiscal Court, 130 East Market Street, 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, 2020**  
**(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 Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are grants from the state and federal governments.

Federal Grant Fund - The primary purpose of this fund is to account for federal grants. The primary sources of receipts for this fund are federal grants.

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:

General Obligation Bond 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 construction of the Grayson County Jail. It was also used to pay off the Series 2006 Refunding Bonds - Detention Center. This fund was labeled as the detention center public properties corporation fund in prior years.

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.

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.

**GRAYSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2020**  
**(Continued)**

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

**D. Budgetary Information**

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

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

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

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

**GRAYSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2020**  
**(Continued)**

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

**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**

The fiscal court maintained deposits of public funds with federally insured banking institutions as required by the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*. The DLG Manual strongly recommends perfected pledges of securities covering all public funds except direct federal obligations and funds protected by federal insurance. In order to be perfected in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the fiscal court and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of the DLG *County Budget Preparation and State Local Finance Officer Policy Manual*. As of June 30, 2020, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.



**GRAYSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2020**  
**(Continued)**

**Note 3. Transfers**

The table below shows the interfund operating transfers for fiscal year 2020.

	General Fund	Road Fund	Jail Fund	Federal Grant Fund	General Obligation Bond Fund	Total Transfers In
General Fund	\$	\$ 103,291	\$ 245,000	\$	\$	\$ 348,291
Road Fund			500,000			500,000
Jail Fund		500,000		42,000	5,209	547,209
E-911 Fund	60,000		135,000	10,500		205,500
General Obligation Bond Fund			1,006,937			1,006,937
Total Transfers Out	<u>\$ 60,000</u>	<u>\$ 603,291</u>	<u>\$ 1,886,937</u>	<u>\$ 52,500</u>	<u>\$ 5,209</u>	<u>\$ 2,607,937</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. Custodial Funds**

Custodial funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. In accordance with the regulatory basis of accounting, custodial funds are not presented on the financial statement.

The fiscal court has the following custodial fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2020, was \$219,218.

**Note 5. Long-term Debt**

**A. Direct Borrowings and Direct Placements**

**1. Financing Obligation - Road Grader**

On May 4, 2006, Grayson County entered into an agreement with Kentucky Association of Counties Leasing Trust in the amount of \$140,167 at a variable rate of interest for a period of 15 years. The funds were used for the purchase of a road grader. The note is secured by but not limited to the property purchased. In the event of a default the property purchased will be repossessed by the financial institution. At June 30, 2020, the principal outstanding was \$11,893. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	<u>\$ 11,893</u>	<u>\$ 516</u>
Totals	<u><u>\$ 11,893</u></u>	<u><u>\$ 516</u></u>

**GRAYSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2020**  
**(Continued)**

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

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

**2. 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 interest for a 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. The property purchased is held as security for this obligation in the case of default. In the event of a default the property purchase will be repossessed by the Zoll Medical Corporation. As of June 30, 2020, the principal balance was \$0.

**3. Financing Obligation - Skate Park**

On November 19, 2006, Grayson County entered into an agreement with Kentucky Association of Counties Leasing Trust in the amount of \$50,000 at a variable rate of interest for a period of 15 years. The funds were used to fund the skate park. No security collateral is held for this agreement, however, in the case of default the remaining amount becomes payable. At June 30, 2020, the principal outstanding was \$6,833. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 4,762	\$ 498
2022	2,071	118
Totals	<u>\$ 6,833</u>	<u>\$ 616</u>

**4. 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 a period of seven years. The funds were used to finance the purchase of a tractor with mower for the road department. The property purchased is held as security for this obligation in the case of default. In the event of a default the property purchased will be repossessed by the financial institution. At June 30, 2020, the principal outstanding was \$55,615. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 19,158	\$ 1,608
2022	19,668	943
2023	16,789	265
Totals	<u>\$ 55,615</u>	<u>\$ 2,816</u>

**GRAYSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2020**  
**(Continued)**

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

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

**5. Financing Obligation - Ambulances**

On April 17, 2018, Grayson County entered into an agreement with Lease One Magnolia in the amount of \$251,152 at 3.20 percent interest for the period of five years. The funds were used to finance the purchase of two ambulances for Emergency Management Service, Incorporated. The property purchased is held as security for this obligation. In the event of a default the property purchased will be repossessed in addition to legal fees and other costs and expense incurred due to default. At June 30, 2020, the outstanding principal was \$147,621. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 50,582	\$ 3,842
2022	52,225	2,199
2023	44,814	539
Totals	<u>\$ 147,621</u>	<u>\$ 6,580</u>

**6. Financing Obligation - Tractors and Backhoe**

On July 24, 2018, Grayson County entered into an agreement with the Kentucky Association of Counties Leasing Trust in the amount of \$204,755 at 4.07 percent interest for the period of five years. The funds were used to finance the purchase of two tractors and a backhoe for the road department. The agreement is secured by but not limited to the purchase purchased. In the event of a default the property purchased will be repossessed by the financial institution. At June 30, 2020, the principal outstanding was \$135,039. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 40,782	\$ 4,857
2022	42,473	3,125
2023	44,235	1,320
2024	7,549	39
Totals	<u>\$ 135,039</u>	<u>\$ 9,341</u>

**GRAYSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2020**  
**(Continued)**

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

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

**7. Financing Obligation - Dump Trucks**

On September 19, 2019, Grayson County entered into an agreement with Kentucky Association of Counties Leasing Trust in the amount of \$262,750 at 3.55 percent interest for the period of seven years. The funds were used to finance the purchase of two dump trucks. The agreement is secured but not limited to the property purchased. In the event of a default the property purchased will be repossessed by the financial institution. At June 30, 2020, the principal outstanding was \$241,027. Future principals and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 34,938	\$ 7,991
2022	36,055	6,733
2023	37,207	5,434
2024	38,396	4,094
2025	39,623	2,711
2026-2027	54,808	1,387
Totals	<u>\$ 241,027</u>	<u>\$ 28,350</u>

**8. 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. No security collateral is held for this agreement. However, in the case of default the remaining amount payable becomes due immediately. At June 30, 2020, the principal outstanding was \$160,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 15,000	\$ 7,347
2022	15,000	6,604
2023	15,000	5,857
2024	15,000	5,120
2025	15,000	4,373
2026-2030	85,000	9,925
Totals	<u>\$ 160,000</u>	<u>\$ 39,226</u>

**GRAYSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2020**  
**(Continued)**

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

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

**9. Promissory Note - Land**

On December 19, 2018, Grayson County entered into a promissory note with individuals to acquire land in proximity to the judicial center in the amount of \$60,000. The purchase agreement required that \$20,000 be paid at the time of purchase and the remaining \$40,000 be paid in two additional installments being due on January 3, 2020. The note is secured but not limited to the remaining balance due. In the case of default the remaining balance becomes due immediately and the holder shall be entitled to collect all reasonable costs and expenses in suit, including, but not limited to, reasonable attorney fees. As of June 30, 2020, the principal balance was \$0.

**10. Promissory Note - Land**

On March 4, 2020, Grayson County entered into an agreement with individuals to acquire land in the amount of \$350,000. The purchase agreement required that \$100,000 be paid at the time of purchase and the remaining \$250,000 be paid in three additional installments. This agreement was secured in the form of a promissory note in the amount of \$350,000 with no interest being assessed with the final payment being due on February 28, 2023. The note is secured by the individuals having rights to possess the property until the note is fulfilled. In the event of default the right of possession and operating is granted unless the note is fulfilled. At June 30, 2020, the principal outstanding was \$250,000. Future principal and interest requirements are:

Fiscal Year Ending	Principal
<u>June 30</u>	<u>          </u>
2021	\$ 100,000
2022	100,000
2023	<u>50,000</u>
Totals	<u>\$ 250,000</u>

**11. 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. The property purchased is held as security for this obligation in the case of default. In the event of a default the property purchased will be repossessed by the financial institution. At June 30, 2020, the principal outstanding was \$21,336. Future principal and interest requirements are:

**GRAYSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2020**  
**(Continued)**

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

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

**11. Financing Obligation - Patcher (Continued)**

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 6,920	\$ 893
2022	6,920	553
2023	6,920	213
2024	576	2
Totals	<u>\$ 21,336</u>	<u>\$ 1,661</u>

**B. Other Debt**

**1. General Obligation Refunding Bonds, Series 2006 - Detention Center**

On November 1, 2006, the detention center public properties corporation issued \$8,135,000 in general obligation refunding bonds, series 2006, for the purpose of refinancing the 1999 general obligation improvement, series 1999, bonds that were used for the constructions of the detention center. Upon the happening and continuance of any event of default as defined in the bond, a suit may be filed or bond may be declared due and payable. The bonds were refinanced on August 7, 2019 into the general obligation bonds, series 2019. As of June 30, 2020, the principal balance was \$0.

**2. General Obligation Bonds, Series 2019 - Detention Center**

The Grayson County Fiscal Court issued the 2019 series general obligation bonds, for the purpose of refinancing the 2006 general obligation improvement series bonds. On August 7, 2019, \$17,000,000 general obligation bonds were issued. Interest is payable on June 1 and December 1 of each year with a 3.00 percent interest rate. The maturity date of the bonds is June 1, 2044. The bonds are secured by a foreclosable first mortgage lien on the project. In the event of default the mortgage will be enforced. As of June 30, 2020, bonds outstanding were \$16,550,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 480,000	\$ 496,500
2022	495,000	482,100
2023	510,000	467,250
2024	525,000	451,950
2025	540,000	436,200
2026-2030	2,960,000	1,927,350
2031-2035	3,425,000	1,456,500
2036-2040	3,980,000	910,650
2041-2044	3,635,000	276,600
Totals	<u>\$ 16,550,000</u>	<u>\$ 6,905,100</u>

**GRAYSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2020**  
**(Continued)**

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

**B. Other Debt (Continued)**

**3. Lease Revenue Refunding Bonds, Series 2015 - Judicial Center**

On April 11, 2015, the 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. The maturity date of the lease revenue refunding bonds is September 1, 2027. Upon the happening and continuance of any event of default as defined in the bond, a suit may be filed or bond may be declared due and payable. 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 of pay 100 percent of the debt service on the bonds. As of June 30, 2020, bonds outstanding were \$6,645,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 775,000	\$ 142,438
2022	790,000	126,788
2023	795,000	110,938
2024	820,000	93,763
2025	835,000	75,144
2026-2028	2,630,000	99,950
Totals	<u>\$ 6,645,000</u>	<u>\$ 649,021</u>

**C. Aggregate Debt Schedules**

The amounts of required principal and interest payments on long-term obligations at June 30, 2020 as follows:

Fiscal Year Ended June 30	Other Debt		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2021	\$ 1,255,000	\$ 638,938	\$ 284,035	\$ 27,552
2022	1,285,000	608,888	274,413	20,275
2023	1,305,000	578,188	214,966	13,628
2024	1,345,000	545,713	61,521	9,255
2025	1,375,000	511,344	54,623	7,084
2026-2030	5,590,000	2,027,300	139,808	11,312
2031-2035	3,425,000	1,456,500		
2036-2040	3,980,000	910,650		
2041-2044	3,635,000	276,600		
Totals	<u>\$ 23,195,000</u>	<u>\$ 7,554,121</u>	<u>\$ 1,029,366</u>	<u>\$ 89,106</u>

**GRAYSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2020**  
**(Continued)**

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

**D. Changes in Long-Term Debt**

Long-term Debt activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 731,653	\$ 612,750	\$ 315,039	\$ 1,029,364	\$ 172,395
Other Debt	11,115,000	17,000,000	4,920,000	23,195,000	1,355,000
Total Long-term Debt	<u>\$ 11,846,653</u>	<u>\$17,612,750</u>	<u>\$ 5,235,039</u>	<u>\$24,224,364</u>	<u>\$ 1,527,395</u>

**Note 6. 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 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 2018 was \$1,519,876, FY 2019 was \$1,715,646, and FY 2020 was \$1,816,605.

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.



**GRAYSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2020**  
**(Continued)**

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

Nonhazardous (Continued)

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

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

Hazardous

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

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

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

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

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

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:

**GRAYSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2020**  
**(Continued)**

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

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (Continued)

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

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

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

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

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

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

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

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

**GRAYSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2020**  
**(Continued)**

**Note 7. 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 KRS benefits. During the 2008 Special Session, the General Assembly determined that each July beginning in 2009, retirees who have been receiving a retirement allowance for at least 12 months will receive an automatic COLA of 1.5 percent. The COLA is not a guaranteed benefit. If a retiree has been receiving a benefit for less than 12 months, and a COLA is provided, it will be prorated based on the number of months the recipient has been receiving a benefit.

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

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

F. Death Benefit

If a retired member is receiving a monthly benefit based on at least 48 months of service credit, 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.

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.

**GRAYSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2020**  
**(Continued)**

**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 501 High Street, 2nd Floor, Frankfort, KY 40601, or by telephone at (502) 573-7925.

**Note 9. Related Party Transactions**

During the year ended June 30, 2020, the fiscal court paid \$18,882 to a company owned by the county jailer's sister-in-law for uniforms. The fiscal court paid \$1,230 to a company owned by the jailer's brother for upholstery work. The fiscal court paid \$2,128 to a company by the jail finance officer's daughter for miscellaneous supplies.

**Note 10. Insurance**

For the fiscal year ended June 30, 2020, 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 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, 2020, conduit debt has been issued but the amount currently outstanding is not reasonably determinable.

**GRAYSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2020**  
**(Continued)**

**Note 12. Prior Period Adjustments**

Prior Year Ending Fund Balance	\$	4,525,159
Adjustments:		
Jail Fund - voided checks		130
LGEA Fund - voided checks		<u>82</u>
Beginning Fund Balance Restated	\$	<u>4,525,371</u>

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

**For The Year Ended June 30, 2020**

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

**For The Year Ended June 30, 2020**

	<b>GENERAL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>RECEIPTS</b>				
Taxes	\$ 1,868,500	\$ 1,868,500	\$ 1,929,311	\$ 60,811
In Lieu Tax Payments	27,500	27,500	29,142	1,642
Excess Fees	177,400	334,224	344,452	10,228
Licenses and Permits	17,800	17,800	18,176	376
Intergovernmental	581,370	648,226	620,431	(27,795)
Miscellaneous	304,000	304,000	275,096	(28,904)
Interest	325	325	277	(48)
<b>Total Receipts</b>	<b>2,976,895</b>	<b>3,200,575</b>	<b>3,216,885</b>	<b>16,310</b>
<b>DISBURSEMENTS</b>				
General Government	1,353,905	1,563,128	1,450,606	112,522
Protection to Persons and Property	53,612	67,512	65,566	1,946
General Health and Sanitation	88,794	91,922	91,669	253
Recreation and Culture	92,000	92,000	76,216	15,784
Debt Service	60,815	70,815	70,813	2
Capital Projects		235,000	235,000	
Administration	1,920,018	1,602,447	1,514,074	88,373
<b>Total Disbursements</b>	<b>3,569,144</b>	<b>3,722,824</b>	<b>3,503,944</b>	<b>218,880</b>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(592,249)	(522,249)	(287,059)	235,190
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	102,249	102,249	348,291	246,042
Transfers To Other Funds	(60,000)	(60,000)	(60,000)	
<b>Total Other Adjustments to Cash (Uses)</b>	<b>42,249</b>	<b>42,249</b>	<b>288,291</b>	<b>246,042</b>
Net Change in Fund Balance	(550,000)	(480,000)	1,232	481,232
Fund Balance - Beginning	550,000	550,000	582,524	32,524
Fund Balance - Ending	\$ 0	\$ 70,000	\$ 583,756	\$ 513,756

**GRAYSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2020**  
**(Continued)**

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 770,000	\$ 770,000	\$ 837,731	\$ 67,731
Intergovernmental	2,720,465	2,720,465	2,905,652	185,187
Miscellaneous	60,000	60,000	48,366	(11,634)
Interest	500	500	4,315	3,815
Total Receipts	<u>3,550,965</u>	<u>3,550,965</u>	<u>3,796,064</u>	<u>245,099</u>
<b>DISBURSEMENTS</b>				
General Government	7,500	7,500		7,500
Roads	3,711,510	3,716,210	3,429,060	287,150
Debt Service	124,301	124,301	117,100	7,201
Administration	468,155	463,455	343,300	120,155
Total Disbursements	<u>4,311,466</u>	<u>4,311,466</u>	<u>3,889,460</u>	<u>422,006</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(760,501)</u>	<u>(760,501)</u>	<u>(93,396)</u>	<u>667,105</u>
<b>Other Adjustments to Cash (Uses)</b>				
Financing Obligation Proceeds	262,750	262,750	262,750	
Transfers From Other Funds			500,000	500,000
Transfers To Other Funds	(102,249)	(102,249)	(603,291)	(501,042)
Total Other Adjustments to Cash (Uses)	<u>160,501</u>	<u>160,501</u>	<u>159,459</u>	<u>(1,042)</u>
Net Change in Fund Balance	(600,000)	(600,000)	66,063	666,063
Fund Balance - Beginning	<u>600,000</u>	<u>600,000</u>	<u>653,886</u>	<u>53,886</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 719,949</u>	<u>\$ 719,949</u>

**GRAYSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2020**  
**(Continued)**

	<b>JAIL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 10,659,400	\$ 9,652,463	\$ 11,377,802	\$ 1,725,339
Charges for Services	77,000	77,000	81,617	4,617
Miscellaneous	452,800	452,800	588,683	135,883
Interest	7,000	7,000	4,605	(2,395)
Total Receipts	<u>11,196,200</u>	<u>10,189,263</u>	<u>12,052,707</u>	<u>1,863,444</u>
<b>DISBURSEMENTS</b>				
General Government		12,500	12,500	
Protection to Persons and Property	7,566,580	7,868,856	7,299,923	568,933
Debt Service	706,400	82,893		82,893
Capital Projects		1,146,848	1,146,268	580
Administration	5,213,020	3,367,966	3,024,891	343,075
Total Disbursements	<u>13,486,000</u>	<u>12,479,063</u>	<u>11,483,582</u>	<u>995,481</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,289,800)</u>	<u>(2,289,800)</u>	<u>569,125</u>	<u>2,858,925</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			547,209	547,209
Transfers To Other Funds	(60,000)	(60,000)	(1,886,937)	(1,826,937)
Total Other Adjustments to Cash (Uses)	<u>(60,000)</u>	<u>(60,000)</u>	<u>(1,339,728)</u>	<u>(1,279,728)</u>
Net Change in Fund Balance	(2,349,800)	(2,349,800)	(770,603)	1,579,197
Fund Balance - Beginning (Restated)	<u>2,349,800</u>	<u>2,349,800</u>	<u>2,190,971</u>	<u>(158,829)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,420,368</u>	<u>\$ 1,420,368</u>

**GRAYSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2020**  
**(Continued)**

	<b>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 165,664	\$ 165,664	\$ 169,677	\$ 4,013
Miscellaneous	1,000	1,000	83	(917)
Interest	40	40	41	1
Total Receipts	<u>166,704</u>	<u>166,704</u>	<u>169,801</u>	<u>3,097</u>
<b>DISBURSEMENTS</b>				
General Government	19,100	19,100	13,906	5,194
Protection to Persons and Property	28,216	30,216	25,934	4,282
General Health and Sanitation	31,100	31,100	21,556	9,544
Social Services	12,000	27,000	26,399	601
Recreation and Culture	25,000	25,000	19,728	5,272
Airports	7,000	7,000		7,000
Bus Services	13,000	13,000	12,890	110
Debt Service	59,690	59,690	59,689	1
Administration	43,598	26,598	600	25,998
Total Disbursements	<u>238,704</u>	<u>238,704</u>	<u>180,702</u>	<u>58,002</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(72,000)</u>	<u>(72,000)</u>	<u>(10,901)</u>	<u>61,099</u>
Net Change in Fund Balance	(72,000)	(72,000)	(10,901)	61,099
Fund Balance - Beginning (Restated)	<u>72,000</u>	<u>72,000</u>	<u>68,626</u>	<u>(3,374)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 57,725</u>	<u>\$ 57,725</u>

**GRAYSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2020**  
**(Continued)**

	<b>FEDERAL GRANT FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 52,500	\$ 52,500	\$ 52,500	\$
Total Receipts	52,500	52,500	52,500	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	52,500	52,500	52,500	
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds	(52,500)	(52,500)	(52,500)	
Total Other Adjustments to Cash (Uses)	(52,500)	(52,500)	(52,500)	
Net Change in Fund Balance				
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 0	\$ 0

**GRAYSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2020**  
**(Continued)**

	<b>E-911 FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Taxes	\$ 435,000	\$ 435,000	\$ 452,289	\$ 17,289
Charges for Services	60,000	60,000	60,000	
Miscellaneous	1,000	1,000	46	(954)
Interest	5	5	13	8
Total Receipts	<u>496,005</u>	<u>496,005</u>	<u>512,348</u>	<u>16,343</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	475,505	539,339	526,375	12,964
Administration	198,000	217,866	209,440	8,426
Total Disbursements	<u>673,505</u>	<u>757,205</u>	<u>735,815</u>	<u>21,390</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(177,500)</u>	<u>(261,200)</u>	<u>(223,467)</u>	<u>37,733</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	<u>172,500</u>	<u>172,500</u>	<u>205,500</u>	<u>33,000</u>
Total Other Adjustments to Cash (Uses)	<u>172,500</u>	<u>172,500</u>	<u>205,500</u>	<u>33,000</u>
Net Change in Fund Balance	(5,000)	(88,700)	(17,967)	70,733
Fund Balance - Beginning	<u>5,000</u>	<u>18,700</u>	<u>18,700</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (70,000)</u>	<u>\$ 733</u>	<u>\$ 70,733</u>

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

**June 30, 2020**

**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.

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

**For The Year Ended June 30, 2020**

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

**For The Year Ended June 30, 2020**

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 1,147,759	\$ 485,000	\$	\$ 1,632,759
Construction In Progress	744,168	9,714,053		10,458,221
Buildings	24,940,976	159,177		25,100,153
Vehicles and Equipment	4,494,321	330,650	67,000	4,757,971
Infrastructure	14,053,950	2,177,229		16,231,179
 Total Capital Assets	 <u>\$ 45,381,174</u>	 <u>\$ 12,866,109</u>	 <u>\$ 67,000</u>	 <u>\$ 58,180,283</u>

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

**June 30, 2020**

**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, 2020, 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 8, 2021.

**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 preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that 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.

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 as item 2020-001 to be a material weakness.



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

**Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the 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 matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2020-001.

**Views of Responsible Official 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 response was not subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we express no opinion on it.

**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 8, 2021



**GRAYSON COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

**For The Year Ended June 30, 2020**

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**GRAYSON COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**

**For The Year Ended June 30, 2020**

FINANCIAL STATEMENT FINDING:

2020-001 Grayson County Failed To Properly Account For The General Obligation Bond Fund

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The Grayson County Fiscal Court failed to account for all activities of the county. It was noted that the general obligation bond fund was not properly accounted for and budgeted. The county treasurer did not include the activity on her financial statement. For fiscal year 2020, the general obligation bond fund had a beginning balance of \$525,014. Receipts to the fund consisted of interest earned of \$133,276, net bond proceeds of \$16,878,703, a transfer in of \$1,006,937, and good faith proceeds of \$340,000. Disbursements for debt service and construction costs totaled \$12,391,167 along with transfers out of \$5,209. With the noted activity, the ending balance of \$6,487,554 remained on June 30, 2020. According to county personnel, the county was unsure of its responsibilities towards the general obligation bond fund.

The lack of internal controls over the operations of the omitted accounts exposes its assets to the risk of misappropriation. KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*. According to the minimum requirements for handling public funds established by DLG, accounting systems should include books of original entry for receipts and expenditures such as receipts and disbursements ledgers. They should also include pre-numbered receipt forms issued to customers. Also, all deposits should be intact.

We recommend the fiscal court require the omitted accounts be budgeted and included in the county's financial statements in order for the activity to be properly reported. We also recommend the county implement internal controls over these activities in order to protect its assets from misapplication.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: Since 2006, the General Obligation Bond Fund has been included on the long-term debt liability worksheet of the financial statements and bond payments have been accounted for in the budget. All of the bond fund account activities were recorded on spreadsheets and given to the auditors annually. During the 2019-2020 fiscal year, the Jail began an expansion project and the US bank paid the construction expenses from the bond proceeds. We were unaware that the jail expansion would require us to report the bond fund differently than we had in the past. To comply with auditors' recommendations and KRS 68.210, the bond fund accounts will be included on our financial statements with our other fund accounts and bond fund receipts and expenditures will be reported on financial statements beginning with the 3-21-21 quarterly financial statements and 3-31-21 monthly financial statements.*

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

**GRAYSON COUNTY FISCAL COURT**

**For The Year Ended June 30, 2020**

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CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE  
COUNTY FISCAL COURT

For The Year Ended June 30, 2020

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.

A handwritten signature in blue ink, appearing to read "Ken Bell", written over a horizontal line.

County Judge/Executive

A handwritten signature in blue ink, appearing to read "Angela Hayes", written over a horizontal line.

County Treasurer