

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

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



**MIKE HARMON
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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 Chuck Dills, Grant County Judge/Executive
Members of the Grant 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 Grant County Fiscal Court, for the year ended June 30, 2021, and the related notes to the financial statement, which collectively comprise the Grant 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.



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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 Grant 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 Grant County Fiscal Court as of June 30, 2021, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

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

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Grant 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.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2022, on our consideration of the Grant County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Grant 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:

- 2021-001 The Jailer Did Not Have Adequate Internal Controls, Segregation Of Duties, Or Management Oversight Over Jail Commissary Fund Accounting Functions
- 2021-002 The Jailer Failed To Properly Implement Controls Over The Inmate Trust Account Financial Reporting

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

February 10, 2022

GRANT COUNTY OFFICIALS**For The Year Ended June 30, 2021****Fiscal Court Members:**

Chuck Dills	County Judge/Executive
Jacquallynn Riley	Magistrate
Shawna Coldiron	Magistrate
Roger Humphrey	Magistrate

Other Elected Officials:

Stephen L. Bates II	County Attorney
Michael Webster	Jailer
Tabatha Clemons	County Clerk
Wray Jean Jump	Circuit Court Clerk
Brian Maines	Sheriff
Eli Anderson	Property Valuation Administrator
Mark Jump	Coroner

Appointed Personnel:

Peggy Updike	County Treasurer
Colton Simpson	Deputy Judge/Executive

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

For The Year Ended June 30, 2021

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

For The Year Ended June 30, 2021

	Budgeted Funds			
	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund
RECEIPTS				
Taxes	\$ 5,681,799	\$	\$	\$
Excess Fees	163,689			
Licenses and Permits	151,408			
Intergovernmental	5,156,145	1,573,652	2,392,869	
Charges for Services	20,176		53,858	
Miscellaneous	109,193	4,122	122,780	
Interest	26,940	1,854	462	111
Total Receipts	<u>11,309,350</u>	<u>1,579,628</u>	<u>2,569,969</u>	<u>111</u>
DISBURSEMENTS				
General Government	2,887,665			
Protection to Persons and Property	387,756		3,679,361	
General Health and Sanitation	299,553			
Social Services	2,100			
Recreation and Culture	386,870			
Roads		1,448,118		
Debt Service		17,294	484,994	
Administration	1,538,415	212,359	1,115,014	
Total Disbursements	<u>5,502,359</u>	<u>1,677,771</u>	<u>5,279,369</u>	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>5,806,991</u>	<u>(98,143)</u>	<u>(2,709,400)</u>	<u>111</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			2,738,000	
Transfers To Other Funds	(5,172,680)			
Total Other Adjustments to Cash (Uses)	<u>(5,172,680)</u>		<u>2,738,000</u>	
Net Change in Fund Balance	634,311	(98,143)	28,600	111
Fund Balance - Beginning	4,242,068	324,624	143,090	28,851
Fund Balance - Ending	<u>\$ 4,876,379</u>	<u>\$ 226,481</u>	<u>\$ 171,690</u>	<u>\$ 28,962</u>
Composition of Fund Balance				
Bank Balance	\$ 4,376,379	\$ 226,481	\$ 171,690	\$ 28,962
Less: Outstanding Checks				
Certificates of Deposit	500,000			
Fund Balance - Ending	<u>\$ 4,876,379</u>	<u>\$ 226,481</u>	<u>\$ 171,690</u>	<u>\$ 28,962</u>

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

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

<u>Budgeted Funds</u>		<u>Unbudgeted Funds</u>		
<u>Forestry Fund</u>	<u>Federal Grant Fund</u>	<u>Public Properties Corporation Fund</u>	<u>Jail Commissary Fund</u>	<u>Total Funds</u>
\$ 1,983	\$	\$	\$	\$ 5,683,782
				163,689
				151,408
		1,220,706		10,343,372
				74,034
			219,634	455,729
9	654			30,030
<u>1,992</u>	<u>654</u>	<u>1,220,706</u>	<u>219,634</u>	<u>16,902,044</u>
				2,887,665
1,721				4,068,838
				299,553
				2,100
			197,599	584,469
				1,448,118
		1,218,100		1,720,388
		2,622		2,868,410
<u>1,721</u>	<u></u>	<u>1,220,722</u>	<u>197,599</u>	<u>13,879,541</u>
<u>271</u>	<u>654</u>	<u>(16)</u>	<u>22,035</u>	<u>3,022,503</u>
	2,434,680			5,172,680
				(5,172,680)
	<u>2,434,680</u>			
271	2,435,334	(16)	22,035	3,022,503
2,148		4,014	91,097	4,835,892
<u>\$ 2,419</u>	<u>\$ 2,435,334</u>	<u>\$ 3,998</u>	<u>\$ 113,132</u>	<u>\$ 7,858,395</u>
\$ 2,419	\$ 2,435,334	\$ 3,998	\$ 117,646	\$ 7,362,909
			(4,514)	(4,514)
				500,000
<u>\$ 2,419</u>	<u>\$ 2,435,334</u>	<u>\$ 3,998</u>	<u>\$ 113,132</u>	<u>\$ 7,858,395</u>

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

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**GRANT COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2021

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Basis of Accounting

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

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

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

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

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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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.

Forestry Fund - The primary purpose of this fund is to account for the fire acres taxes collected in case of a major forest fire disaster. The primary source of receipts for this fund is taxes collected by the sheriff's office.

Federal Grant 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 federal government

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

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

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.

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 public properties corporation fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

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

Note 1. Summary of Significant Accounting Policies (Continued)

E. Grant County Elected Officials

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

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

F. Deposits and Investments

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

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

G. Long-term Obligations

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

Note 2. Deposits

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.

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

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

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

Note 3. Transfers

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

	General Fund	Total Transfers In
Jail Fund	\$ 2,738,000	\$ 2,738,000
Federal Grant Fund	2,434,680	2,434,680
Total Transfers Out	<u>\$ 5,172,680</u>	<u>\$ 5,172,680</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, 2021 was \$73,152.

Note 5. Long-term Debt

A. Direct Borrowings and Direct Placements

1. Dump Trucks

In October 2015, the Grant County Fiscal Court entered into a five-year lease agreement to purchase three dump trucks for the road department. The lease was for \$376,810 at an interest rate of 3.49%. In the event of default, the lease is secured by the trucks financed. This lease agreement was paid off during fiscal year 2021. The principal balance outstanding as of June 30, 2021 was \$0.

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

Note 5. Long-term Debt (Continued)

B. Other Debt

1. General Obligation Refunding And Improvement Bonds, Series 2015

On July 1, 2015, the Grant County Fiscal Court issued \$5,290,000 general obligation refunding and improvement bonds for the purposes of refinancing previously issued bonds (series 2010B refunding bonds) and improvements for the detention center facilities project. Principal payments are due each year on July 1, in amounts indicated below, starting January 1, 2016. Interest rates ranging from 2% to 3.125% on the bonds is payable each January 1 and July 1, beginning January 1, 2016. The bonds are general obligations of the county and the full faith, credit and taxing power of the county is irrevocably pledged to the payment of principal and interest on the bonds when due. The principal balance outstanding as of June 30, 2021 was \$3,435,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 395,000	\$ 92,194
2023	405,000	83,182
2024	415,000	72,931
2025	425,000	61,369
2026	435,000	48,469
2027-2029	<u>1,360,000</u>	<u>63,941</u>
Totals	<u>\$ 3,435,000</u>	<u>\$ 422,086</u>

2. First Mortgage Revenue Refunding Bonds, Series 2016

On January 1, 2016, the Grant County Public Properties Corporation issued \$8,885,000 of first mortgage revenue refunding bonds. Proceeds from the bonds will be used for the purpose of (i) the advance refunding of all or certain maturities of the \$16,615,000 Grant county, Kentucky Public Properties Corporation First Mortgage Revenue Bonds (Judicial Center Project), Series 2007, dated December 1, 2007; (ii) the payment of the accrued interest, if any; and (iii) the payment of the cost of issuance incurred with respect to the issuance of the bonds. Principal payments are due annually on December 1 beginning December 1, 2020. Interest payments, which varies from 2% to 3%, is payable semi-annually on June 1 and December 1. In the event of default, the trustee may enforce the foreclosable mortgage lien on the project site, bring suit against the corporation, or declare all bonds due and payable. The outstanding principal balance as of June 30, 2021 is \$7,875,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 1,045,000	\$ 187,550
2023	1,070,000	165,062
2024	1,095,000	139,338
2025	1,120,000	111,650
2026	1,150,000	83,275
2027-2028	<u>2,395,000</u>	<u>70,900</u>
Totals	<u>\$ 7,875,000</u>	<u>\$ 757,775</u>

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

Note 5. Long-term Debt (Continued)

C. Changes In Long-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 17,169	\$	\$ 17,169	\$	\$
Other Debt	12,705,000		1,395,000	11,310,000	1,440,000
Total Long-term Debt	<u>\$ 12,722,169</u>	<u>\$ 0</u>	<u>\$ 1,412,169</u>	<u>\$ 11,310,000</u>	<u>\$ 1,440,000</u>

D. Aggregate Debt Schedule

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

Fiscal Year Ended June 30	Other Debt	
	Principal	Interest
2022	\$ 1,440,000	\$ 279,744
2023	1,475,000	248,244
2024	1,510,000	212,269
2025	1,545,000	173,019
2026	1,585,000	131,744
2027-2029	3,755,000	134,841
Totals	<u>\$ 11,310,000</u>	<u>\$ 1,179,861</u>

Note 6. Commitments and Contingencies

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

Note 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. Effective April 1, 2021, the Kentucky Retirement Systems as an agency of the Commonwealth is now known as the Kentucky Public Pensions Authority (KPPA). The governance of CERS has been transferred to a separate 9-member board of trustees that is responsible for the governance of the CERS pension and insurance plans.

The county's contribution for FY 2019 was \$821,216; FY 2020 was \$996,215; and FY 2021 was \$1,055,234.

GRANT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(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 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.

GRANT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(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 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:

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, 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.

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

Note 7. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

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

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.

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

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

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

D. Cost of Living Adjustments - Tier 1

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

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

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

F. Death Benefit

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

KRS Annual Financial Report and Proportionate Share Audit Report

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

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

Note 7. Employee Retirement System (Continued)

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

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

Note 8. Deferred Compensation

The Grant 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. Health Reimbursement Account/Flexible Spending Account

The Grant County Fiscal Court established a flexible spending account and a health reimbursement benefit account to provide employees that opt out of the county's paid health insurance plan with a \$250 per month benefit. The health reimbursement account is a benefit that can be used to purchase additional insurance options that are available to the employee; however, any funds not spent on additional insurance is deposited into an account. The county has contracted with a third-party administrator to administer the plan. The plan provides a debit card to each eligible employee at the beginning of each fiscal year to pay for qualified medical expenses. The balance of the plan as of June 30, 2021 was \$39,203.

Note 10. Insurance

For the fiscal year ended June 30, 2021, the Grant 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.

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

Note 11. Self-Insurance Fund

The Grant County Fiscal Court elected to participate in a partially self-funded health care plan to cover all employees. The county signed an interlocal agreement with the Northern Kentucky Public Entity Joint Health Insurance Board to administer the health insurance program. The agreement allows for one appointed member of the county and one vote on all matters. The county submits monthly installments due on the first of each month based on their number of participants and types of coverage determined by a pre-set monthly premium rate. To the extent that additional funds are necessary, the board will determine the assessment of these costs to each entity.

Note 12. Tax Abatement

Pursuant to GASB Statement No. 77, Tax Abatement Disclosures, the Grant County Fiscal Court is required to disclose certain information about tax abatements as defined in the statement. GASB 77 defines a tax abatement as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the county or its citizens. As of June 30, 2019, the Grant County Fiscal Court provides a tax abatement with tax increment financing through one program the Local Development Area Agreement for Ark Encounter.

In accordance with Ordinance 06-2013-667, the Grant County Fiscal Court, along with the city of Williamstown and the Grant County Joint Local Industrial Authority, entered into a development agreement with Ark Encounter, LLC, the developer. This agreement will facilitate the development of the Ark Encounter within the Local Development Area (LDA). The Ark Encounter shall be developed over an estimated 10-year period. The Grant county fiscal court agreed to pledge 75 percent of the county's incremental revenues from county real ad valorem taxes generated within the LDA for a 30-year period to pay for project costs within the LDA. The incremental revenues shall be determined by calculating the new revenues collected from the LDA and subtracting the old revenues collected from the LDA for the base year, which is calendar year 2011. The developer agreed to construct the Ark Encounter within the LDA. The construction of the Ark Encounter project, will increase the taxable assessment within the LDA by over \$170,000,000 which will generate significant new tax revenues to the county, even when deducting the incremental revenues pledged by the county. For fiscal year ending June 30, 2021, the Grant County Fiscal Court paid incremental revenues totaling \$62,573.

Note 13. Related Party Transactions

The Grant County Jailer's wife maintains the county's website through the RMB Agency, Inc. The Grant County Fiscal Court paid the RMB Agency, Inc., \$3,128 for their services during the fiscal year ended June 30, 2021.

Note 14. Prior Period Adjustments

The prior period ending balance of the general fund increased by \$150 in order to account for prior year voided checks.

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

For The Year Ended June 30, 2021

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GRANT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2021

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 5,226,315	\$ 5,226,315	\$ 5,681,799	\$ 455,484
Excess Fees	11,000	11,000	163,689	152,689
Licenses and Permits	113,200	113,200	151,408	38,208
Intergovernmental	3,470,902	5,905,582	5,156,145	(749,437)
Charges for Services	26,100	26,100	20,176	(5,924)
Miscellaneous	102,450	102,450	109,193	6,743
Interest	10,000	10,000	26,940	16,940
Total Receipts	<u>8,959,967</u>	<u>11,394,647</u>	<u>11,309,350</u>	<u>(85,297)</u>
DISBURSEMENTS				
General Government	3,967,693	4,018,947	2,887,665	1,131,282
Protection to Persons and Property	468,512	566,149	387,756	178,393
General Health and Sanitation	455,532	455,722	299,553	156,169
Social Services	6,000	6,000	2,100	3,900
Recreation and Culture	2,095,130	2,095,130	386,870	1,708,260
Administration	1,889,316	1,740,235	1,538,415	201,820
Total Disbursements	<u>8,882,183</u>	<u>8,882,183</u>	<u>5,502,359</u>	<u>3,379,824</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>77,784</u>	<u>2,512,464</u>	<u>5,806,991</u>	<u>3,294,527</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(3,688,733)</u>	<u>(6,123,413)</u>	<u>(5,172,680)</u>	<u>950,733</u>
Total Other Adjustments to Cash (Uses)	<u>(3,688,733)</u>	<u>(6,123,413)</u>	<u>(5,172,680)</u>	<u>950,733</u>
Net Change in Fund Balance	(3,610,949)	(3,610,949)	634,311	4,245,260
Fund Balance - Beginning (Restated)	<u>3,610,949</u>	<u>3,610,949</u>	<u>4,242,068</u>	<u>631,119</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,876,379</u>	<u>\$ 4,876,379</u>

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

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 2,699,149	\$ 2,699,149	\$ 1,573,652	\$ (1,125,497)
Miscellaneous	16,000	16,000	4,122	(11,878)
Interest	1,000	1,000	1,854	854
Total Receipts	<u>2,716,149</u>	<u>2,716,149</u>	<u>1,579,628</u>	<u>(1,136,521)</u>
DISBURSEMENTS				
Roads	1,367,889	1,515,570	1,448,118	67,452
Debt Service	17,294	17,294	17,294	
Administration	1,428,617	1,280,936	212,359	1,068,577
Total Disbursements	<u>2,813,800</u>	<u>2,813,800</u>	<u>1,677,771</u>	<u>1,136,029</u>
Net Change in Fund Balance	(97,651)	(97,651)	(98,143)	(492)
Fund Balance - Beginning	<u>97,651</u>	<u>97,651</u>	<u>324,624</u>	<u>226,973</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 226,481</u>	<u>\$ 226,481</u>

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

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 2,760,240	\$ 2,760,240	\$ 2,392,869	\$ (367,371)
Charges for Services	40,500	40,500	53,858	13,358
Miscellaneous	162,500	162,500	122,780	(39,720)
Interest	500	500	462	(38)
Total Receipts	<u>2,963,740</u>	<u>2,963,740</u>	<u>2,569,969</u>	<u>(393,771)</u>
DISBURSEMENTS				
Protection to Persons and Property	4,577,248	4,644,398	3,679,361	965,037
Debt Service	484,994	484,994	484,994	
Administration	1,590,231	1,523,081	1,115,014	408,067
Total Disbursements	<u>6,652,473</u>	<u>6,652,473</u>	<u>5,279,369</u>	<u>1,373,104</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(3,688,733)</u>	<u>(3,688,733)</u>	<u>(2,709,400)</u>	<u>979,333</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>3,688,733</u>	<u>3,688,733</u>	<u>2,738,000</u>	<u>(950,733)</u>
Total Other Adjustments to Cash (Uses)	<u>3,688,733</u>	<u>3,688,733</u>	<u>2,738,000</u>	<u>(950,733)</u>
Net Change in Fund Balance			28,600	28,600
Fund Balance - Beginning			<u>143,090</u>	<u>143,090</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 171,690</u>	<u>\$ 171,690</u>

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

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$ 75	\$ 75	\$ 111	\$ 36
Total Receipts	75	75	111	36
DISBURSEMENTS				
Road Facilities	28,575	28,575		28,575
Total Disbursements	28,575	28,575		28,575
Net Change in Fund Balance	(28,500)	(28,500)	111	28,611
Fund Balance - Beginning	28,500	28,500	28,851	351
Fund Balance - Ending	\$ 0	\$ 0	\$ 28,962	\$ 28,962

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

	FORESTRY FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,880	\$ 1,880	\$ 1,983	\$ 103
Interest	10	10	9	(1)
Total Receipts	<u>1,890</u>	<u>1,890</u>	<u>1,992</u>	<u>102</u>
DISBURSEMENTS				
Protection to Persons and Property	1,890	1,890	1,721	169
Total Disbursements	<u>1,890</u>	<u>1,890</u>	<u>1,721</u>	<u>169</u>
Net Change in Fund Balance			271	271
Fund Balance - Beginning			<u>2,148</u>	<u>2,148</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,419</u>	<u>\$ 2,419</u>

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

	FEDERAL GRANT FUND			
	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Interest	\$	\$	\$ 654	\$ 654
Total Receipts			654	654
DISBURSEMENTS				
Administration		2,434,680		2,434,680
Total Disbursements		2,434,680		2,434,680
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(2,434,680)	654	2,435,334
Other Adjustments to Cash (Uses)				
Transfers From Other Funds		2,434,680	2,434,680	
Total Other Adjustments to Cash (Uses)		2,434,680	2,434,680	
Net Change in Fund Balance			2,435,334	2,435,334
Fund Balance - Beginning				
Fund Balance - Ending	\$	0	\$ 2,435,334	\$ 2,435,334

GRANT COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2021

Note 1. Budgetary Information

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

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

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

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

For The Year Ended June 30, 2021

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GRANT COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2021

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 1,068,870	\$	\$	\$ 1,068,870
Buildings and Improvements	23,918,404	82,670		24,001,074
Vehicles	2,241,119	327,905	17,893	2,551,131
Machinery & Equipment	2,772,792	76,874		2,849,666
Infrastructure	5,452,372	371,477		5,823,849
 Total Capital Assets	 <u>\$ 35,453,557</u>	 <u>\$ 858,926</u>	 <u>\$ 17,893</u>	 <u>\$ 36,294,590</u>

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

June 30, 2021

Note 1. Capital Assets

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

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Vehicles	\$ 5,000	5-15
Machinery & Equipment	\$ 5,000	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 Chuck Dills, Grant County Judge/Executive
Members of the Grant 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 Grant County Fiscal Court for the fiscal year ended June 30, 2021, and the related notes to the financial statement which collectively comprise the Grant County Fiscal Court's financial statement and have issued our report thereon dated February 10, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Grant County Fiscal Court's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Grant County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Grant County Fiscal Court's internal control.

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

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 deficiencies described in the accompanying Schedule of Findings and Responses as items 2021-001 and 2021-002 to be material weaknesses.



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 Grant County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Views of Responsible Official and Planned Corrective Action

Grant 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

February 10, 2022

**GRANT COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2021

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GRANT COUNTY
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended June 30, 2021

INTERNAL CONTROL - MATERIAL WEAKNESSES:

2021-001 The Jailer Did Not Have Adequate Internal Controls, Segregation Of Duties, Or Management Oversight Over Jail Commissary Fund Accounting Functions

This finding is a partial repeat of a finding that was included in the prior year report as finding 2020-001. The jail commissary fund is a fund that allows the jailer to sell snacks, sodas, and other items to inmates for profit to be used for the benefit and to enhance the well-being of the inmates. A lack of segregation of duties existed over the jail commissary fund in the areas of receipts, disbursements, and bank reconciliations. The jail commissary bookkeeper recorded receipts, prepared deposits, prepared the monthly receipt ledger, prepared checks for disbursements, maintained the disbursements ledger, and performed the monthly bank reconciliation. Although jail commissary checks required dual signatures, it was noted that no review of invoices for jail commissary disbursements by the jailer or his designee was documented prior to payments being remitted. It was also noted there was no review by the jailer of bank reconciliations for the majority of the fiscal year. The jailer implemented some compensating controls following the prior year audit which included performing reviews of the monthly reconciliations. The jailer's review of the June 2021 bank reconciliation was noted.

The jail commissary bookkeeper handles all aspects of the financial process with minimal oversight. A lack of internal controls, segregation of duties, and management oversight increases the risk of misappropriation of assets, errors, and inaccurate financial reporting.

Good internal controls dictate that adequate controls and sufficient review is necessary to reduce the risk of errors and misstatements. Segregation of duties over various accounting functions such as opening mail, preparing deposits, recording receipts and disbursements and preparing monthly reports and the financial statement, or the implementation of compensating controls is essential for providing protection from asset misappropriation and inaccurate financial reporting.

We recommend the following:

- The jailer should separate duties for preparing and depositing receipts, recording transactions, preparing daily checkout sheets, preparing checks, and reconciling bank accounts. If these duties cannot be segregated due to limited number of staff or budget, strong oversight should be provided over the employee(s) responsible for these duties. Any compensating controls performed should be documented by the reviewer's initials and date on applicable documentation.
- Deposits should be prepared and taken to the bank daily. Someone independent of that process should agree receipt tickets, bank deposits, and the receipts ledger. Any review should be documented with the reviewer's initials and date on the documentation.
- The jailer, or his designee, should review all jail commissary disbursements prior to payments being remitted. Any review should be documented with the reviewer's initials and date on the documentation.
- The jailer, or his designee, should complete bank reconciliations or review for accuracy and provide evidence of the review by initialing or signing and dating the bookkeeper's reconciliation.
- The jailer, or his designee, should review the monthly reports and annual financial statement for accuracy and agreement to the underlying accounting records and bank documentation.

Views of Responsible Official and Planned Corrective Action:

Jailer's Response: Since the 2021 audit, additional controls were implemented with the commissary account consisting of initialing and dating all kiosk deposit slips.

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

INTERNAL CONTROL - MATERIAL WEAKNESSES: (Continued)

2021-002 The Jailer Failed To Properly Implement Controls Over The Inmate Trust Account Financial Reporting

This finding is a partial repeat of a finding that was included in the prior year report as finding 2020-002. The jailer failed to implement controls over the inmate trust account, activity of the account, and bank reconciliations. This account is an agency trust account used to maintain funds deposited by or on behalf of inmates (see Note 4 to the financial statements). After funds are deposited, inmates' balances within the account are reduced for jail costs and fees as well as inmate purchases from the jail commissary. These functions are all performed by a service organization. This service organization also is responsible for removal and deposit of kiosk monies. At the time of an inmate's release, if the inmate owes no additional amounts, the amount remaining in the inmate's account is refunded to the inmate. The following deficiencies were noted:

- There was no evidence that amounts collected via the kiosk were agreed to bank records during the daily checkout sheet and monthly bank reconciliation process.
- Receipts for monies processed outside the kiosk system were not batched and deposited daily.
- No evidence that disbursements from the inmate account were reviewed by a person independent of the accounting function.
- Documentation for refunds issued to inmates upon release for any remaining account balance was not maintained.

The jailer failed to properly implement internal controls and provide sufficient management oversight over accounting functions of the inmate trust account.

A lack of internal controls and adequate oversight of the accounting functions for the inmate trust account could allow undetected errors to occur, thereby increasing the risk of misappropriation of assets, errors, and inaccurate financial reporting. Adequate segregation of duties is essential over receipts, disbursements, and bank reconciliations.

We recommend the jailer ensure staff are adequately trained and the jailer implement procedures to strengthen controls over the inmate account and associated accounting functions. The following procedures should be implemented to strengthen controls over the inmate account:

- Appropriate oversight and documentation should be maintained over the removal of funds from the kiosk machines. A daily checkout sheet that includes the makeup of the funds removed, signature of the people performing the removal, and total removed should be prepared.
- Receipts should be deposited daily or at very least the same day that funds are removed from the kiosk machines.
- A deposit ticket for funds collected by jail personnel should be prepared based upon the daily checkout sheet and counted money and then reviewed by an independent person to ensure the amount on the deposit slip agrees to the daily checkout sheet and the money being deposited.
- After the deposit has been made, the bookkeeper should agree the deposit receipt to the daily checkout sheet. This deposit receipt should be attached to the daily checkout sheet after review. Evidence of this review should be with the reviewer's initials and date on the documentation.

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

INTERNAL CONTROL - MATERIAL WEAKNESSES: (Continued)

2021-002 The Jailer Failed To Properly Implement Controls Over The Inmate Trust Account Financial Reporting (Continued)

- At minimum on a monthly basis, a person independent of the accounting function should review deposit receipts and compare that to the accounting system to ensure accuracy.
- Bank reconciliations should be performed monthly and reviewed by a person independent of the accounting process. The bank reconciliations should include all outstanding checks, deposits-in-transit, receivables, and liabilities. The inmate account is considered a trust account and should reconcile to zero each month. Evidence of this review should be with the reviewer's initials and date on the documentation.
- All disbursements should be reviewed by a person independent of the accounting function. Evidence of this review should be with the reviewer's initials and date on the documentation.

Views of Responsible Official and Planned Corrective Action:

Jailer's Response: Since the 2021 audit, additional controls were implemented consisting of initialing and dating of the inmate trust account financial reporting.