

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

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



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

To the People of Kentucky  
The Honorable Andy Beshear, Governor  
Holly M. Johnson, Secretary  
Finance and Administration Cabinet  
The Honorable Owen McNeill, Mason County Judge/Executive  
Members of the Mason County Fiscal Court

The enclosed report prepared by Kelley Galloway Smith Goolsby, PSC presents the financial statement of Mason County, Kentucky, for the year ended June 30, 2022.

We engaged Kelley Galloway Smith Goolsby, PSC to perform the audit of this financial statement. We worked closely with the firm during our report review process; Kelley Galloway Smith Goolsby, PSC evaluated the Mason County Fiscal Court's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Mike Harmon  
Auditor of Public Accounts

Enclosure



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## **Independent Auditor's Report**

To the People of Kentucky  
The Honorable Andy Beshear, Governor  
Holly M. Johnson, Secretary  
Finance and Administration Cabinet  
The Honorable Owen McNeill, Mason County Judge/Executive  
Members of the Mason County Fiscal Court

### **Report on the Audit of the Financial Statement**

#### ***Opinions***

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances – Regulatory Basis of the Mason County Fiscal Court, for the year ended June 30, 2022, and the related notes to the financial statement, which collectively comprise the Mason County Fiscal Court's financial statement as listed in the table of contents.

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

In our opinion, the accompany financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and changes in fund balances – regulatory basis of the Mason County Fiscal Court, for the year ended June 30, 2022, in accordance with accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

#### ***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Mason County Fiscal Court, for the year ended June 30, 2022, or the changes in financial position and cash flows thereof for the year then ended.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Fiscal Court Audit Guide* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of Mason County Fiscal Court and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the People of Kentucky  
 The Honorable Andy Beshear, Governor  
 Holly M. Johnson, Secretary  
 Finance and Administration Cabinet  
 The Honorable Owen McNeill, Mason County Judge/Executive  
 Members of the Mason 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 Mason County Fiscal Court on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statement***

Our objectives are to obtain reasonable assurance about whether the financial statement is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Mason County Fiscal Court's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Mason County Fiscal Court's ability to continue as a going concern for a reasonable period of time.



To the People of Kentucky  
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***Auditor's Responsibilities for the Audit of the Financial Statement (Continued)***

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

**Other Matters**

***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Mason County Fiscal Court. The Budgetary Comparison Schedules 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.

***Other Information***

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

**Other Reporting Required by *Government Auditing Standards***

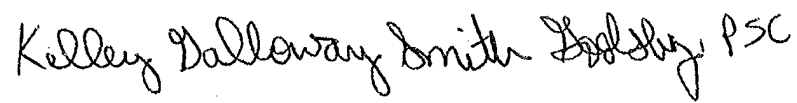
In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2023, on our consideration of the Mason County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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 Mason County Fiscal Court's internal control over financial reporting and compliance.

To the People of Kentucky  
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Members of the Mason County Fiscal Court

**Other Reporting Required by *Government Auditing Standards* (Continued)**

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

2022-001 The Fiscal Court Did Not Establish Adequate Controls Over The Capital Projects Fund  
2022-002 Budget Amounts Were Misstated On The Quarterly Report



Ashland, Kentucky  
June 20, 2023

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

**Fiscal Court Members:**

Owen McNeill	County Judge/Executive
Joseph McKay	Commissioner
Phil Day	Commissioner
Chris O'Hearn	Commissioner

**Other Elected Officials:**

John Estill	County Attorney
Lisa Kern-Yearly	Jailer
Stephanie Schumacher	County Clerk
Kirk Tolle	Circuit Court Clerk
Patrick Boggs	Sheriff
Troy Cracraft	Property Valuation Administrator
David Lawrence	Coroner

**Appointed Personnel:**

Kim Muse	County Treasurer
Megan Davenport	Finance Officer

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

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

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

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

	<b>Budgeted Funds</b>		
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>
<b>RECEIPTS</b>			
Taxes	\$ 4,150,540	\$	\$
In Lieu Tax Payments	17,619		
Excess Fees	185,875		
Licenses and Permits	8,504		
Intergovernmental	244,103	1,016,252	1,963,432
Charges for Services	11,997	21,455	30,300
Miscellaneous	604,502	3,135	112,808
Interest	566	74	60
Total Receipts	<u>5,223,706</u>	<u>1,040,916</u>	<u>2,106,600</u>
<b>DISBURSEMENTS</b>			
General Government	1,570,756		
Protection to Persons and Property	495,505		1,972,310
General Health and Sanitation	100,219		
Social Services			
Recreation and Culture	29,967		
Roads		1,333,646	
Airports			
Debt Service	140,880	33,958	
Capital Projects	115,284		
Administration	1,672,264	339,008	719,832
Total Disbursements	<u>4,124,875</u>	<u>1,706,612</u>	<u>2,692,142</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,098,831</u>	<u>(665,696)</u>	<u>(585,542)</u>
<b>Other Adjustments to Cash (Uses)</b>			
Bond and Lease Proceeds	104,727		
Transfers From Other Funds		760,000	675,000
Transfers To Other Funds	(2,100,000)		
Total Other Adjustments to Cash (Uses)	<u>(1,995,273)</u>	<u>760,000</u>	<u>675,000</u>
Net Change in Fund Balance	(896,442)	94,304	89,458
Fund Balance - Beginning (Restated)	<u>2,050,977</u>	<u>(32,722)</u>	<u>107,624</u>
Fund Balance - Ending	<u>\$ 1,154,535</u>	<u>\$ 61,582</u>	<u>\$ 197,082</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 907,478	\$ 84,179	\$ 127,152
Plus: Money Due (Owed) Other Funds	(75,419)		75,419
Plus: Deposits In Transit			
Less: Outstanding Checks	(10,583)	(22,597)	(5,489)
Certificates of Deposit	333,059		
Fund Balance - Ending	<u>\$ 1,154,535</u>	<u>\$ 61,582</u>	<u>\$ 197,082</u>

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

**MASON COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**  
**For The Year Ended June 30, 2022**  
**(Continued)**

<b>Budgeted Funds</b>						
<b>Local Government</b>						
<b>Economic Assistance Fund</b>	<b>State Grants Fund</b>	<b>Federal Fund</b>	<b>Solid Waste Fund</b>	<b>Landfill Fund</b>	<b>Garbage Collections Fund</b>	<b>ARPA Fund</b>
\$	\$	\$	\$	\$ 10,938	\$	\$
			1,776			
235,864		236,955		117,772		
				1,924,301	466,743	
34,001			82,338	28,113		
41			13	3,718	36	84
269,906		236,955	84,127	2,084,842	466,779	84
34,445						
89,338						
68,447		41,456	196,090	1,626,222	497,347	
61,916						
176,056						
11,926						
8,000						
1				165,875	30,069	
				250,494		
42,413			84,334	519,540	191,158	
492,542		41,456	280,424	2,562,131	718,574	
(222,636)		195,499	(196,297)	(477,289)	(251,795)	84
225,000			175,000	161,981	265,000	
(8,349)						
216,651			175,000	161,981	265,000	
(5,985)		195,499	(21,297)	(315,308)	13,205	84
78,262	16,293	201,407	37,752	5,693,637	66,177	1,657,824
\$ 72,277	\$ 16,293	\$ 396,906	\$ 16,455	\$ 5,378,329	\$ 79,382	\$ 1,657,908
\$ 74,080	\$ 16,293	\$ 396,906	\$ 16,768	\$ 3,121,555	\$ 79,179	\$ 1,657,908
(1,803)			(313)	(86,827)	1,012	
				2,343,601	(870)	
\$ 72,277	\$ 16,293	\$ 396,906	\$ 16,455	\$ 5,378,329	\$ 79,382	\$ 1,657,908

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

**MASON COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**  
**For The Year Ended June 30, 2022**  
**(Continued)**

	<b>Unbudgeted Funds</b>		
	<b>Public</b>	<b>Jail</b>	
	<b>Properties</b>	<b>Commissary</b>	<b>Total</b>
	<b>Corporation</b>	<b>Fund</b>	<b>Funds</b>
	<b>Fund</b>		
<b>RECEIPTS</b>			
Taxes	\$	\$	\$ 4,161,478
In Lieu Tax Payments			17,619
Excess Fees			185,875
Licenses and Permits			10,280
Intergovernmental	329,651		4,144,029
Charges for Services			2,454,796
Miscellaneous	1,128	475,178	1,341,203
Interest	53	130	4,775
Total Receipts	330,832	475,308	12,320,055
<b>DISBURSEMENTS</b>			
General Government			1,605,201
Protection to Persons and Property			2,557,153
General Health and Sanitation			2,529,781
Social Services			61,916
Recreation and Culture		469,827	675,850
Roads			1,345,572
Airports			8,000
Debt Service	2,057,708		2,428,491
Capital Projects			365,778
Administration			3,568,549
Total Disbursements	2,057,708	469,827	15,146,291
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,726,876)	5,481	(2,826,236)
<b>Other Adjustments to Cash (Uses)</b>			
Bond Proceeds			266,708
Transfers From Other Funds	8,349		2,108,349
Transfers To Other Funds			(2,108,349)
Total Other Adjustments to Cash (Uses)	8,349		266,708
Net Change in Fund Balance	(1,718,527)	5,481	(2,559,528)
Fund Balance - Beginning (Restated)	1,751,222	253,798	11,882,251
Fund Balance - Ending	\$ 32,695	\$ 259,279	\$ 9,322,723
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 32,695	\$ 332,495	\$ 6,846,688
Plus: Money Due (Owed) Other Funds			
Plus: Deposits In Transit		874	1,886
Less: Outstanding Checks		(74,090)	(202,572)
Certificates of Deposit			2,676,721
Fund Balance - Ending	\$ 32,695	\$ 259,279	\$ 9,322,723

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



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TO THE FINANCIAL STATEMENT**

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**MASON COUNTY  
NOTES TO FINANCIAL STATEMENT**

**June 30, 2022**

**Note 1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The financial statement of Mason County includes all budgeted and unbudgeted funds under the control of the Mason 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.

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

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

**C. Basis of Presentation (Continued)**

**Budgeted Funds (Continued)**

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

State Grants Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary source of receipts for this fund are grants from the state.

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

Solid Waste Fund - The primary purpose of this fund is to account for activities related to solid waste management at the recycling center. The recycling center sells recyclable materials such as cardboard and aluminum to various vendors.

Landfill Fund - The primary purpose of this fund is to account for the activities of the Mason County – Maysville Landfill.

Garbage Collections Fund - The primary purpose of this fund is to account for the activities of the Mason County Garbage Collections service.

ARPA Fund - The primary purpose of this fund is to account for ARPA grants and related disbursements. The primary sources of receipts for this fund are federal grants.

**Unbudgeted Funds**

The fiscal court reports the following unbudgeted funds:

Public Properties Corporation Fund - This fund is used to account for the activity of the Mason County Public Properties Corporation (MCPPC). Receipts and disbursements of this fund are generally restricted for specific purposes, such as issuance of debt for construction projects. The Department for Local Government does not require the fiscal court to budget this fund.

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.

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

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

**D. Budgetary Information (Continued)**

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.

**E. Mason County Elected Officials**

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

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

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

**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.

**H. Related Obligations and Joint Ventures**

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on this criteria, the following are considered related organizations of the Mason County Fiscal Court: Western Mason Water District and Western Lewis-Rectorville Water District.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based on this criteria, the following are considered joint ventures of the Mason County Fiscal Court: Mason County - City of Maysville Tourism Commission, Mason County - City of Maysville Industrial Development, Mason County - City of Maysville Parks and Recreation, Mason County - City of Maysville Ambulance Service, Mason County - City of Maysville Planning and Zoning Commission, Mason County - City of Maysville E-911, and Fleming - Mason Airport.

**I. Interlocal Agreement**

In August 2016, Mason County and the City of Maysville (city) entered into an Interlocal Agreement in order to provide financing for the city's sewer system for the landfill property. This would fund the development and construction of an extension of the city's sewer system for the landfill property to transport leachate from the landfill for treatment by the city. Per terms of the agreement, Mason County will provide sufficient funds to the city for payment of principal and interest to satisfy such indebtedness. The funds will be paid by the county from the landfill account.

**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.

**MASON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2022**  
**(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, 2022, 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 2022.

	General Fund	LGEA Fund	Total Transfers In
Road Fund	\$ 760,000	\$	\$ 760,000
Jail Fund	675,000		675,000
LGEA Fund	225,000		225,000
Solid Waste Fund	175,000		175,000
Garbage Collections Fund	265,000		265,000
Public Properties Corporation Fund		8,349	8,349
Total Transfers Out	<u>\$ 2,100,000</u>	<u>\$ 8,349</u>	<u>\$ 2,108,349</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.

The fiscal court has the following custodial funds:

**Employees' Christmas Club Account** - This fund accounts for funds voluntarily withheld from the employees' wages and deposited in the bank until funds are annually paid to the employees. The balance in the Employees' Christmas Club Account as of June 30, 2022, was \$13,735.

**FSA/HRA Account** - This fund accounts for employee and employer contributions to provide employees an additional health benefit. The county has contracted with a third-party administrator to administer the plan. The plan provides a debit card to each eligible employee providing \$750 each year for a single plan and \$2,000 each year for a family plan to pay for qualified medical expenses. Employees may also contribute additional pre-tax funds through payroll deduction. The balance in the FSA/HRA account as of June 30, 2022, was \$7,311.

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

**Note 4. Custodial Funds (Continued)**

Jail Fees Account - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2022, was \$52,679.

**Note 5. Long-term Debt**

**A. Direct Borrowings and Direct Placements**

**1. Elderly Housing Phase II (Kentucky Housing Corporation)**

On March 1, 2006, the Mason County Fiscal Court entered into a lease agreement with Kentucky Housing Corporation (KHC) for rehabilitation of housing for the elderly. The lease was for \$136,000 with an interest rate of 3.50% per year. The agreement requires annual payments of principal and interest on August 1 of each year. If an event of default occurs, KHC may, without notice, declare all indebtedness secured to be immediately due and may enforce the lien of this mortgage. In any such case, KHC may enter the premises, rent it out, and collect and apply the rent and profits first to the payment of a reasonable compensation to KHC, including attorney's fees, and next to the satisfaction of the obligation secured by this mortgage, and such compensation and fees will become a part of the obligations secured by this mortgage. The total principal balance was \$81,018 as of June 30, 2022. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2023	\$ 4,566	\$ 2,763
2024	4,728	2,600
2025	4,896	2,432
2026	5,070	2,258
2027	5,251	2,078
2028 - 2032	29,190	7,451
2033 - 2036	27,317	1,997
Totals	<u>\$ 81,018</u>	<u>\$ 21,579</u>

**2. Elderly Housing Phase II (Buffalo Trace Area Development District)**

On August 15, 2006, the Mason County Public Properties Corporation entered into a note with Buffalo Trace Area Development District, for Phase II housing for the elderly. The note was for \$20,000 with an interest rate of 3.00% per year. The agreement requires annual payments of principal and interest on August 15 of each year. If an event of default shall occur, the unpaid principal balance plus accrued interest may be declared due and payable by the lender without the necessity of any notice or action by the lender, and the lender shall have any and all of the remedies on an event of default provided by the law.

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

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

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

**2. Elderly Housing Phase II (Buffalo Trace Area Development District) (Continued)**

The total principal balance was \$10,710 as of June 30, 2022. Future principal and interest requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2023	\$ 676	\$ 346
2024	696	325
2025	717	304
2026	738	283
2027	760	261
2028 - 2032	4,157	947
2033 - 2036	2,966	286
Totals	<u>\$ 10,710</u>	<u>\$ 2,752</u>

**3. Landfill Construction Phases IV and V**

On August 18, 2009, the Mason County Fiscal Court entered into a lease agreement with Fifth Third Bank for Landfill Phase IV and Phase V construction. The lease is for \$1,300,000 and requires a semi-annual payment of \$60,329, which includes 4.5% interest through and including July 15, 2013, and thereafter for each succeeding five-year period at a rate equal to the five-year interest rate for U.S. Treasury Obligations, as published by the lessor's treasury department, plus 227 basis points multiplied by .65, as calculated on July 15, 2013 and July 15, 2018. If the county fails to make any payment of base rent as it becomes due in accordance with the lease, or fails to perform or observe any other covenant, condition, or agreement to be performed or observed under this lease and the failure is not cured by the county within specified timeline, then the following remedies may be exercised by the lessor at its option: a) by written notice to the county, declare an amount equal to all amounts then due under this lease to be immediately due and payable; b) exercise any other right, remedy or privilege which may be available to it under the applicable laws of the state or any other applicable law or proceed by appropriate court action to enforce the terms of this lease or to recover damages for the breach of this lease as to any or all of the leased facilities. The principal balance was \$45,048 as of June 30, 2022. Future principal and interest requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2023	\$ 45,048	\$ 735
Totals	<u>\$ 45,048</u>	<u>\$ 735</u>



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

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

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

**4. Excavator**

In July 2016, the Mason County Fiscal Court entered into a lease agreement with Caterpillar Financial Services Corporation to purchase an excavator. The lease is for \$206,054 at an interest rate of 2.89%. The agreement requires monthly payments of principal and interest over a period of five years. To secure the county's obligations under this agreement, they grant the lessor first priority security interest in the unit, including all attachments. The county must protect and defend the lessor's security interest in the unit and keep the unit free and clear of any and all claims, liens, encumbrances and legal processes however and whenever arising. Upon an event of default, the lessor will have all rights and remedies available under applicable law and declare all lease payments due or to become due during the fiscal year to be immediately due and payable by the county. The principal balance was paid in full as of June 30, 2022.

**5. Articulated Truck**

In July 2016, the Mason County Fiscal Court entered into a lease agreement with Caterpillar Financial Services Corporation to purchase an articulated truck. The lease is for \$453,635 at an interest rate of 2.890%. The agreement requires monthly payments of principal and interest over a period of five years. To secure the county's obligations under this agreement, they grant the lessor first priority security interest in the unit, including all attachments. The county must protect and defend the lessor's security interest in the unit and keep the unit free and clear of any and all claims, liens, encumbrances and legal processes however and whenever arising. Upon an event of default, the lessor will have all rights and remedies available under applicable law and declare all lease payments due or to become due during the fiscal year to be immediately due and payable by the county. The principal balance was paid in full as of June 30, 2022.

**6. Ameresco Energy Project**

On August 31, 2017, the Mason County Fiscal Court entered into a lease agreement with U.S. Bancorp Government Leasing and Finance, Inc., to purchase equipment related to a project to improve energy efficiency. The lease is for \$450,000 at an interest rate of 2.613%. The agreement requires annual payments of principal and interest on August 31 of each year. To the extent permitted by law and to secure the performance of the county's obligations under this agreement, the county grants the lessor a security interest constituting a first lien on the county's interest in all of the equipment in this lease agreement. In the event of default, the lessor shall have the right to declare all lease payments to the end of the budget year to be due, the lessor may terminate the lease and enter the property and retake possession of the property, or the lessor may take any action that is permitted by applicable law to protect any of its rights under the agreement. The principal balance was \$315,184 as of June 30, 2022. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2023	\$ 35,934	\$ 8,236
2024	36,873	7,297
2025	37,837	6,333
2026	38,825	5,345
2027	39,840	4,330
2028 - 2030	125,875	6,635
Totals	<u>\$ 315,184</u>	<u>\$ 38,176</u>

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

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

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

**7. Sheriff's Vehicles**

On December 7, 2018, the Mason County Fiscal Court entered into a lease agreement with U.S. Bancorp Government Leasing and Finance, Inc. to purchase police vehicles. The lease is for \$64,590 at an interest rate of 4.10%. The agreement requires annual payments of principal and interest over a period of three years. To secure the county's obligations under this agreement, they grant the lessor first priority security interest in the unit, including all attachments. The county must protect and defend the lessor's security interest in the unit and keep the unit free and clear of any and all claims, liens, encumbrances and legal processes however and whenever arising. Upon an event of default, the lessor will have all rights and remedies available under applicable law and declare all lease payments due or to become due during the fiscal year to be immediately due and payable by the county. The principal balance was paid in full as of June 30, 2022.

**8. Compactor**

On July 30, 2020, the Mason County Fiscal Court entered into a lease agreement with U.S. Bancorp Government Leasing and Finance, Inc. to purchase one 826K wheel dozer/compactor. The lease is for \$500,000 at an interest rate of 1.95%. The agreement requires annual payments of principal and interest on July 15 of each year. To the extent permitted by law and to secure the performance of the county's obligations under this agreement, the county grants the lessor a security interest constituting a first lien on the county's interest in all of the equipment in this lease agreement. In the event of default, the lessor shall have the right to declare all lease payments to the end of the budget year to be due, the lessor may terminate the lease and enter the property and retake possession of the property, and the lessor may take any action that is permitted by applicable law to protect any of its rights under the agreement. The principal balance was \$403,825 as of June 30, 2022. Future principal and interest requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2023	\$ 98,051	\$ 7,875
2024	99,963	5,963
2025	101,912	4,013
2026	<u>103,899</u>	<u>2,026</u>
Totals	<u>\$ 403,825</u>	<u>\$ 19,877</u>

**9. Garbage Packer Truck**

On July 21, 2020, the Mason County Fiscal Court entered into a lease agreement with U.S. Bancorp Government Leasing and Finance, Inc. to purchase a garbage packer truck. The lease is for \$143,000 at an interest rate of 1.95%. The agreement requires annual payments of principal and interest on July 30 of each year. To the extent permitted by law and to secure the performance of the county's obligations under this agreement, the county grants the lessor a security interest constituting a first lien on the county's interest in all of the equipment in this lease agreement. In the event of default, the lessor shall have the right to declare all lease payments to the end of the budget year to be due, the lessor may terminate the lease and enter the property and retake possession of the property, and the lessor may take any action that is permitted by applicable law to protect any of its rights under the agreement.

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

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

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

**9. Garbage Packer Truck (Continued)**

The principal balance was \$115,494 as of June 30, 2022. Future principal and interest requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2023	\$ 28,043	\$ 2,252
2024	28,589	1,705
2025	29,147	1,148
2026	<u>29,715</u>	<u>579</u>
Totals	<u>\$ 115,494</u>	<u>\$ 5,684</u>

**10. Road Loader**

On August 28, 2020, the Mason County Fiscal Court entered into a lease agreement with U.S. Bancorp Government Leasing and Finance, Inc. to purchase a road loader. The lease is for \$160,291 at an interest rate of 1.95%. The agreement requires annual payments of principal and interest on August 28 of each year. To the extent permitted by law and to secure the performance of the county's obligations under this agreement, the county grants the lessor a security interest constituting a first lien on the county's interest in all of the equipment in this lease agreement. In the event of default, the lessor shall have the right to declare all lease payments to the end of the budget year to be due, the lessor may terminate the lease and enter the property and retake possession of the property, and the lessor may take any action that is permitted by applicable law to protect any of its rights under the agreement. The principal balance was \$129,459 as of June 30, 2022. Future principal and interest requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2023	\$ 31,434	\$ 2,524
2024	32,046	1,911
2025	32,671	1,287
2026	<u>33,308</u>	<u>650</u>
Totals	<u>\$ 129,459</u>	<u>\$ 6,372</u>

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

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

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

**11. Election Machines**

On March 1, 2021, the Mason County Fiscal Court entered into a lease agreement with U.S. Bancorp Government Leasing and Finance, Inc. to purchase election machines. The lease is for \$128,016 at an interest rate of 1.95%. The agreement requires annual payments of principal and interest on March 1 of each year. To the extent permitted by law and to secure the performance of the county's obligations under this agreement, the county grants the lessor a security interest constituting a first lien on the county's interest in all of the equipment in this lease agreement. In the event of default, the lessor shall have the right to declare all lease payments to the end of the budget year to be due, the lessor may terminate the lease and enter the property and retake possession of the property, and the lessor may take any action that is permitted by applicable law to protect any of its rights under the agreement. The principal balance was \$86,166 as of June 30, 2022. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2023	\$ 42,667	\$ 1,680
2024	43,499	848
Totals	<u>\$ 86,166</u>	<u>\$ 2,528</u>

**12. Financing Obligation – Sheriff Vehicles**

On February 15, 2022, the Mason County Fiscal Court entered into a lease agreement with U.S. Bancorp Government Leasing and Finance, Inc. to purchase three vehicles. The lease is for \$104,727 at an interest rate of 2.00%. The agreement requires annual payments of principal and interest over a period of three years. To secure the county's obligations under this agreement, they grant the lessor first priority security interest in the unit, including all attachments. The county must protect and defend the lessor's security interest in the unit and keep the unit free and clear of any and all claims, liens, encumbrances and legal processes however and whenever arising. Upon an event of default, the lessor will have all rights and remedies available under applicable law and declare all lease payments due or to become due during the fiscal year to be immediately due and payable by the county. The principal balance was \$104,727 as of June 30, 2022. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2023	\$ 34,222	\$ 2,089
2024	34,904	1,407
2025	35,601	710
Totals	<u>\$ 104,727</u>	<u>\$ 4,206</u>

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

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

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

**13. Financing Obligation – Roll-off Truck**

On March 11, 2022, the Mason County Fiscal Court entered into a direct borrowing in the amount of \$161,981 to purchase a roll-off truck. The agreement has an interest rate of 3.74 percent. Monthly interest payments are due on the 20th and will mature with the full amount of principal due on September 20, 2023. The loan is secured by the truck being purchased. Upon the occurrence of an event of default, the lessor may (a) by written notice to lessee declare an amount equal to all amounts then due be immediately due and payable, (b) use any and all remedies under state or federal law or in any loan document, (c) make a claim for any and all insurance benefits or refunds that may be available, or (d) repossess the truck. The principal balance was \$161,981 as of June 30, 2022. Future principal and interest requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2023	\$	\$ 6,060
2024	<u>161,981</u>	<u>1,515</u>
Totals	<u>\$ 161,981</u>	<u>\$ 7,575</u>

**B. Other Debt**

**1. First Mortgage Refund Revenue Bonds Series 2007**

In March 2007, the Mason County Public Properties Corporation issued \$4,910,000 first mortgage revenue refunding bonds for the purpose of paying the outstanding principal and interest of the Mason County Public Properties Corporation first mortgage revenue bonds, series 1999. Principal payments are due each year on March 1 and interest is payable each year on September 1 and March 1. The bonds are equally secured by the mortgage, without any preference, priority or distinction whatsoever of the lien thereof in favor of any one or more of the bonds over any one or more of the others, reference thereto being hereby made, but only for a particular description of the terms and conditions thereof on which the bonds are issued and secured and for a description of the securities therefor and of the rights of the holders in regard thereto. The total principal balance was refunded by Series 2021 as of June 30, 2022.

**2. First Mortgage Revenue Bonds (Courthouse Facility Project), Series 2017**

In November 2017, the Mason County Public Properties Corporation issued \$657,000 first mortgage revenue bonds for the purpose of courthouse improvements. Principal payments are due each year on December 1 and interest is payable each year on June 1 and December 1. The bonds are secured by a foreclosable mortgage lien on the project. In the event of default, the mortgage shall be enforced, which may include foreclosure of the liens created by the mortgage and sale of the project. The total principal balance was \$381,000 as of June 30, 2022. Future principal and interest requirements are:

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

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

**B. Other Debt (Continued)**

**2. First Mortgage Revenue Bonds (Courthouse Facility Project), Series 2017 (Continued)**

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2023	\$ 73,000	\$ 9,506
2024	74,000	7,852
2025	76,000	5,880
2026	78,000	3,570
2027	<u>80,000</u>	<u>1,200</u>
Totals	<u>\$ 381,000</u>	<u>\$ 28,008</u>

**3. First Mortgage Refunding Revenue Bonds Series 2021**

In June 2021, the Mason County Public Properties Corporation issued \$1,737,673 first mortgage revenue refunding bonds for the purpose of paying the outstanding principal and interest at 1.07% of the Mason County Public Properties Corporation first mortgage revenue bonds, series 2007. The bonds were not defeased until July 12, 2021. Principal payments are due each year on March 1 and interest is payable each year on September 1 and March 1. The bonds are equally secured by the mortgage, without any preference, priority or distinction whatsoever of the lien thereof in favor of any one or more of the bonds over any one or more of the others, reference thereto being hereby made, but only for a particular description of the terms and conditions thereof on which the bonds are issued and secured and for a description of the securities therefor and of the rights of the holders in regard thereto. The total principal balance was \$1,475,777 as of June 30, 2022. Future principal and interest requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2023	\$ 362,338	\$ 15,791
2024	363,703	11,914
2025	374,697	8,022
2026	<u>375,039</u>	<u>4,013</u>
Totals	<u>\$ 1,475,777</u>	<u>\$ 39,740</u>

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

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

**C. Aggregate Debt Schedule**

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

Fiscal Year Ended June 30	Direct Borrowings and Direct Placements		Other Debt	
	Principal	Interest	Principal	Interest
2023	\$ 320,641	\$ 34,560	\$ 435,338	\$ 25,297
2024	443,279	23,571	437,703	19,766
2025	242,781	16,227	450,697	13,902
2026	211,555	11,141	453,039	7,583
2027	45,851	6,669	80,000	1,200
2028-2032	159,222	15,033		
2033-2036	30,283	2,283		
Totals	<u>\$ 1,453,612</u>	<u>\$ 109,484</u>	<u>\$ 1,856,777</u>	<u>\$ 67,748</u>

**D. Changes In Long-term Debt**

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 1,585,502	\$ 266,708	\$ 398,598	\$ 1,453,612	\$ 320,641
Revenue Bonds	3,884,673		2,027,896	1,856,777	435,338
Total Long-term Debt	<u>\$ 5,470,175</u>	<u>\$ 266,708</u>	<u>\$ 2,426,494</u>	<u>\$ 3,310,389</u>	<u>\$ 755,979</u>

**Note 6. Employee Retirement System**

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

The county's contribution for FY 2020 was \$1,011,323, FY 2021 was \$1,062,435, and FY 2022 was \$1,219,955.

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

**Note 6. 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 Ky. Ret. Sys. insurance fund.

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

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

The county's contribution rate for nonhazardous employees was 26.95 percent.

Hazardous

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

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own accounts. Hazardous members contribute 8 percent of their annual creditable compensation and also contribute 1 percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board of Directors based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A hazardous member's account is credited with a 7.5 percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

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

The county's contribution rate for hazardous employees was 44.33 percent.



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

**Note 6. Employee Retirement System (Continued)**

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

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

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

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

Benefits are covered under KRS 78.5536.

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

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

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

Tier 2 member benefits are covered by KRS 78.5536. Tier 3 members are not covered by the same provisions.

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

**Note 6. Employee Retirement System (Continued)**

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

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

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

**D. Cost of Living Adjustments - Tier 1**

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

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

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

**F. Death Benefit**

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

**Ky. Ret. Sys. Annual Financial Report and Proportionate Share Audit Report**

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

Ky. Ret. Sys. 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.

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

**Note 7. Deferred Compensation**

The Mason 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 8. Insurance**

For the fiscal year ended June 30, 2022, the Mason 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 9. Landfill Closure And Post-Closure Care**

Closure and Post-Closure Care Costs of Municipal Solid Waste Landfill

State and federal laws and regulations require the Mason County Fiscal Court to place a final cover on its Municipal Solid Waste Landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste.

Through an inter-local agreement with the City of Maysville, the Mason County Fiscal Court manages the operation and accounts for the Maysville-Mason County Landfill. The landfill consists of the following cells:

- 1) The 21.5 acre residual cell that was capped in the fiscal year ending 2001/2002 for \$1,065,330. Post-closure care costs are estimated at \$16,180.
- 2) The 41.0 acre contained cell has been operational since January 30, 1997. As of June 30, 2022, 81.72% of this cell's capacity had been used.
- 3) The residual/CDD cell is for Dayton Power and Light (DP&L) and has been operational since April 1, 2008. As of June 30, 2022, 100% of this cell's capacity had been used. DP&L is responsible for all closure costs for this cell. DP&L makes regular payments to Mason County to fund the closure costs.

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

**Note 9. Landfill Closure And Post-Closure Care (Continued)**

401 KAR 48:310 Section 2 and 3 requires the owner or operator of a landfill to have a detailed written estimate, in current dollars, of the cost of hiring a third party to close the solid waste disposal site and to conduct each phase of closure care monitoring and maintenance in accordance with the closure plan. Pursuant to the regulatory basis of accounting, as described in Note 1, no liability has been recognized on the financial statement for closure or post-closure care costs. Mason County must comply with established state and federal closure procedures and must perform maintenance and monitoring procedures at the site for 30 years after closure.

The most recent estimated closure cost for the landfill is \$4,699,306 with estimated post-closure costs of \$1,990,740. Mason County is required to collect and segregate fifteen (15) percent of gross receipts of the landfill and account for it in a restricted Landfill Closure Fund. The balance maintained for the closure of the contained cell and residual/CDD cell as of June 30, 2022 was \$3,029,958. The City of Maysville and Mason County will jointly fund post-closure costs.

The estimates above are based on information as of the audit date and can be altered based on inflation/deflation, technology, laws, and regulations.

**Note 10. Related Party Transactions**

The jailer's family owns a meat distributor. During fiscal year ended June 30, 2022, the Mason County Fiscal Court spent \$19,918 with the meat distributor.

**Note 11. Prior Period Adjustment**

The beginning balances were restated and increased due to prior year voided checks for the general fund for \$165, the road fund for \$846, the jail fund for \$12, and the LGEA fund for \$1,544.

**Note 12. Commitments and Contingencies**

- A. In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. On March 6, 2020, the Governor of Kentucky declared a state of emergency and subsequently ordered all nonessential businesses closed on March 26, 2020, until further notice. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the county's financial operations. Possible effects may include, but are not limited to, disruption to the county's revenue in the form of property and occupational tax collections and absenteeism in the county's labor work force. While the county expects this matter to negatively impact its financial operations, the related impact cannot be reasonably estimated at this time.
- B. The county is a defendant in various legal actions. The county's legal counsel believes these actions are without merit, adequately covered by insurance, or that the ultimate liability, if any, will not materially affect the county's financial statements.

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

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

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

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

	<b>GENERAL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts, (Budgetary Basis)</b>	<b>Final Budget Positive (Negative)</b>
<b>RECEIPTS</b>				
Taxes	\$ 4,321,000	\$ 4,321,000	\$ 4,150,540	\$ (170,460)
In Lieu Tax Payments	17,000	17,000	17,619	619
Excess Fees	163,185	163,185	185,875	22,690
Licenses and Permits	45,000	45,000	8,504	(36,496)
Intergovernmental	544,100	544,100	244,103	(299,997)
Charges for Services	8,000	8,000	11,997	3,997
Miscellaneous	506,000	506,000	604,502	98,502
Interest	2,000	2,000	566	(1,434)
Total Receipts	<u>5,606,285</u>	<u>5,606,285</u>	<u>5,223,706</u>	<u>(382,579)</u>
<b>DISBURSEMENTS</b>				
General Government	1,657,881	1,710,939	1,570,756	140,183
Protection to Persons and Property	425,700	455,348	495,505	(40,157)
General Health and Sanitation	107,500	109,392	100,219	9,173
Social Services	1,000	1,000		1,000
Recreation and Culture	40,000	32,500	29,967	2,533
Debt Service	106,000	158,000	140,880	17,120
Capital Projects	20,000	11,000	115,284	(104,284)
Administration	<u>1,838,204</u>	<u>1,713,106</u>	<u>1,672,264</u>	<u>40,842</u>
Total Disbursements	<u>4,196,285</u>	<u>4,191,285</u>	<u>4,124,875</u>	<u>66,410</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,410,000</u>	<u>1,415,000</u>	<u>1,098,831</u>	<u>(316,169)</u>
<b>Other Adjustments to Cash (Uses)</b>				
Lease Proceeds			104,727	104,727
Transfers To Other Funds	<u>(3,435,000)</u>	<u>(3,435,000)</u>	<u>(2,100,000)</u>	<u>1,335,000</u>
Total Other Adjustments to Cash (Uses)	<u>(3,435,000)</u>	<u>(3,435,000)</u>	<u>(1,995,273)</u>	<u>1,439,727</u>
Net Change in Fund Balance	(2,025,000)	(2,020,000)	(896,442)	1,123,558
Fund Balance - Beginning (Restated)	<u>2,025,000</u>	<u>2,025,000</u>	<u>2,050,977</u>	<u>25,977</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 5,000</u>	<u>\$ 1,154,535</u>	<u>\$ 1,149,535</u>

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

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,406,222	\$ 1,406,222	\$ 1,016,252	\$ (389,970)
Charges for Services	20,000	20,000	21,455	1,455
Miscellaneous	76,000	76,000	3,135	(72,865)
Interest	200	200	74	(126)
Total Receipts	1,502,422	1,502,422	1,040,916	(461,506)
<b>DISBURSEMENTS</b>				
Roads	1,908,950	2,017,040	1,333,646	683,394
Debt Service	85,000	85,000	33,958.00	51,042
Administration	698,472	586,382	339,008	247,374
Total Disbursements	2,692,422	2,688,422	1,706,612	981,810
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,190,000)	(1,186,000)	(665,696)	520,304
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	1,100,000	1,100,000	760,000	(340,000)
Total Other Adjustments to Cash (Uses)	1,100,000	1,100,000	760,000	(340,000)
Net Change in Fund Balance	(90,000)	(86,000)	94,304	180,304
Fund Balance - Beginning (Restated)	90,000	90,000	(32,722)	(122,722)
Fund Balance - Ending	\$ 0	\$ 4,000	\$ 61,582	\$ 57,582



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

<b>JAIL FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 2,085,800	\$ 2,085,800	\$ 1,963,432	\$ (122,368)
Charges for Services	72,500	72,500	30,300	(42,200)
Miscellaneous	83,550	83,550	112,808	29,258
Interest	100	100	60	(40)
Total Receipts	<u>2,241,950</u>	<u>2,241,950</u>	<u>2,106,600</u>	<u>(135,350)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	2,304,296	2,490,384	1,972,310	518,074
Debt Service	8,000	8,000		8,000
Administration	1,389,654	1,207,566	719,832	487,734
Total Disbursements	<u>3,701,950</u>	<u>3,705,950</u>	<u>2,692,142</u>	<u>1,013,808</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,460,000)</u>	<u>(1,464,000)</u>	<u>(585,542)</u>	<u>878,458</u>
<b>Other Adjustments to Cash (Uses)</b>				
Lease Proceeds	10,000	10,000		(10,000)
Transfers From Other Funds	<u>1,250,000</u>	<u>1,250,000</u>	<u>675,000</u>	<u>(575,000)</u>
Total Other Adjustments to Cash (Uses)	<u>1,260,000</u>	<u>1,260,000</u>	<u>675,000</u>	<u>(585,000)</u>
Net Change in Fund Balance	(200,000)	(204,000)	89,458	293,458
Fund Balance - Beginning (Restated)	<u>200,000</u>	<u>200,000</u>	<u>107,624</u>	<u>(92,376)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (4,000)</u>	<u>\$ 197,082</u>	<u>\$ 201,082</u>

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

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 170,000	\$ 214,495	\$ 235,864	\$ 21,369
Miscellaneous	37,000	37,000	34,001	(2,999)
Interest	75	75	41	(34)
Total Receipts	207,075	251,570	269,906	18,336
<b>DISBURSEMENTS</b>				
General Government	90,300	96,019	34,445	61,574
Protection to Persons and Property	71,300	95,387	89,338	6,049
General Health and Sanitation	69,000	69,447	68,447	1,000
Social Services	53,700	66,277	61,916	4,361
Recreation and Culture	266,500	266,500	176,056	90,444
Roads	12,000	56,495	11,926	44,569
Airports	8,000	8,000	8,000	
Debt Service	9,000	9,018	1	9,017
Administration	127,275	84,427	42,413	42,014
Total Disbursements	707,075	751,570	492,542	259,028
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(500,000)	(500,000)	(222,636)	277,364
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	400,000	400,000	225,000	(175,000)
Transfers To Other Funds			(8,349)	(8,349)
Total Other Adjustments to Cash (Uses)	400,000	400,000	216,651	(183,349)
Net Change in Fund Balance	(100,000)	(100,000)	(5,985)	94,015
Fund Balance - Beginning (Restated)	100,000	100,000	78,262	(21,738)
Fund Balance - Ending	\$ 0	\$ 0	\$ 72,277	\$ 72,277

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

	STATE GRANTS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 50,000	\$ 50,000	\$	\$ (50,000)
Total Receipts	50,000	50,000		(50,000)
DISBURSEMENTS				
General Health and Sanitation	25,000	25,000		25,000
Administration	32,000	32,000		32,000
Total Disbursements	57,000	57,000		57,000
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(7,000)	(7,000)		7,000
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	5,000	5,000		(5,000)
Total Other Adjustments to Cash (Uses)	5,000	5,000		(5,000)
Net Change in Fund Balance	(2,000)	(2,000)		2,000
Fund Balance - Beginning	2,000	2,000	16,293	14,293
Fund Balance - Ending	\$ 0	\$ 0	\$ 16,293	\$ 16,293

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

	<b>FEDERAL FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,882,668	\$ 2,317,668	\$ 236,955	\$ (2,080,713)
Miscellaneous	50,000	50,000		(50,000)
Total Receipts	1,932,668	2,367,668	236,955	(2,130,713)
<b>DISBURSEMENTS</b>				
General Government	122,357	122,357		122,357
Protection to Persons and Property	100,000	100,000		100,000
General Health and Sanitation		435,000	41,456	393,544
Administration	56,000	56,000		56,000
Total Disbursements	278,357	713,357	41,456	671,901
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	1,654,311	1,654,311	195,499	(1,458,812)
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds	(1,655,311)	(1,655,311)		1,655,311
Total Other Adjustments to Cash (Uses)	(1,655,311)	(1,655,311)		1,655,311
Net Change in Fund Balance	(1,000)	(1,000)	195,499	196,499
Fund Balance - Beginning	1,000	1,000	201,407	200,407
Fund Balance - Ending	\$ 0	\$ 0	\$ 396,906	\$ 396,906

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

<b>SOLID WASTE FUND</b>				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Licenses and Permits	\$ 5,000	\$ 5,000	\$ 1,776	\$ (3,224)
Intergovernmental	15,000	15,000		(15,000)
Miscellaneous	56,000	56,000	82,338	26,338
Interest	500	500	13	(487)
Total Receipts	76,500	76,500	84,127	7,627
<b>DISBURSEMENTS</b>				
General Health and Sanitation	202,200	227,471	196,090	31,381
Debt Service	200	200		200
Capital Projects	15,000	15,000		15,000
Administration	211,100	184,829	84,334	100,495
Total Disbursements	428,500	427,500	280,424	147,076
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(352,000)	(351,000)	(196,297)	154,703
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	300,000	300,000	175,000	(125,000)
Total Other Adjustments to Cash (Uses)	300,000	300,000	175,000	(125,000)
Net Change in Fund Balance	(52,000)	(51,000)	(21,297)	29,703
Fund Balance - Beginning	52,000	52,000	37,752	(14,248)
Fund Balance - Ending	\$ 0	\$ 1,000	\$ 16,455	\$ 15,455

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

<b>LANDFILL FUND</b>				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Taxes	\$ 8,500	\$ 8,500	\$ 10,938	\$ 2,438
Intergovernmental	125,000	125,000	117,772	(7,228)
Charges for Services	2,050,000	2,050,000	1,924,301	(125,699)
Miscellaneous	51,500	51,500	28,113	(23,387)
Interest	8,000	8,000	3,718	(4,282)
Total Receipts	2,243,000	2,243,000	2,084,842	(158,158)
<b>DISBURSEMENTS</b>				
General Health and Sanitation	1,767,850	2,059,468	1,626,222	433,246
Debt Service	400,000	400,000	165,875	234,125
Capital Projects	180,000	180,000	250,494	(70,494)
Administration	4,945,150	4,659,532	519,540	4,139,992
Total Disbursements	7,293,000	7,299,000	2,562,131	4,736,869
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(5,050,000)	(5,056,000)	(477,289)	4,578,711
<b>Other Adjustments to Cash (Uses)</b>				
Lease Proceeds	25,000	25,000	161,981	136,981
Transfers From Other Funds	25,000	25,000		(25,000)
Total Other Adjustments to Cash (Uses)	50,000	50,000	161,981	111,981
Net Change in Fund Balance	(5,000,000)	(5,006,000)	(315,308)	4,690,692
Fund Balance - Beginning	5,000,000	5,000,000	5,693,637	693,637
Fund Balance - Ending	\$ 0	\$ (6,000)	\$ 5,378,329	\$ 5,384,329

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

<b>GARBAGE COLLECTIONS FUND</b>				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Charges for Services	\$ 450,000	\$ 450,000	\$ 466,743	\$ 16,743
Interest	200	200	36	(164)
Total Receipts	450,200	450,200	466,779	16,579
<b>DISBURSEMENTS</b>				
General Health and Sanitation	513,350	575,526	497,347	78,179
Debt Service	30,800	30,800	30,069	731
Administration	331,050	268,874	191,158	77,716
Total Disbursements	875,200	875,200	718,574	156,626
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(425,000)	(425,000)	(251,795)	173,205
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	350,000	350,000	265,000	(85,000)
Total Other Adjustments to Cash (Uses)	350,000	350,000	265,000	(85,000)
Net Change in Fund Balance	(75,000)	(75,000)	13,205	88,205
Fund Balance - Beginning	75,000	75,000	66,177	(8,823)
Fund Balance - Ending	\$ 0	\$ 0	\$ 79,382	\$ 79,382

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

ARPA FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$	\$	\$ 84	\$ 84
Total Receipts			84	\$ 84
DISBURSEMENTS				
Administration	3,310,622	3,310,622		3,310,622
Total Disbursements	3,310,622	3,310,622		3,310,622
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)				
	(3,310,622)	(3,310,622)	84	3,310,706
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,655,311	1,655,311		(1,655,311)
Total Other Adjustments to Cash (Uses)	1,655,311	1,655,311		(1,655,311)
Net Change in Fund Balance	(1,655,311)	(1,655,311)	84	1,655,395
Fund Balance - Beginning	1,655,311	1,655,311	1,657,824	2,513
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,657,908	\$ 1,657,908



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

**June 30, 2022**

**Note 1. Budgetary Information**

Annual budgets are adopted on a regulatory basis of accounting 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.

**Note 2. Excess of Disbursements Over Appropriations**

The general fund, protection to persons and property line-item, exceeded budgeted appropriations by \$40,157 and capital projects line-item, exceeded budgeted appropriations by \$104,284.

The landfill fund, capital projects line-item, exceeded budgeted appropriations by \$70,494.

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

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

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

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

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 2,648,218	\$	\$	\$ 2,648,218
Building and Building Improvements	19,791,632			19,791,632
Vehicles	2,273,389	266,708		2,540,097
Equipment	7,590,086			7,590,086
Furniture and Other Equipment	528,476			528,476
Infrastructure	10,174,637			10,174,637
 Total Capital Assets	 <u>\$ 43,006,438</u>	 <u>\$ 266,708</u>	 <u>\$ 0</u>	 <u>\$ 43,273,146</u>

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

**June 30, 2022**

**Note 1. Capital Assets**

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

	Capitalization Threshold	Useful Life (Years)
Land	\$ 1	
Land Improvements	\$ 2,500	10-60
Buildings	\$ 2,500	10-75
Building Improvements	\$ 2,500	5-75
Machinery and Equipment	\$ 2,500	3-25
Furniture and Fixtures	\$ 2,500	3-25
Vehicles	\$ 2,500	3-25
Infrastructure	\$ 2,500	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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**Kelley Galloway  
Smith Goolsby, PSC**

*Certified Public Accountants and Advisors*

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**Independent Auditor's 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***

The Honorable Owen McNeill, Mason County Judge/Executive  
Members of the Mason County Fiscal Court

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Mason County Fiscal Court for the fiscal year ended June 30, 2022, and the related notes to the financial statement which collectively comprise the Mason County Fiscal Court's financial statement and have issued our report thereon dated June 20, 2023.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the Mason 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 Mason County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Mason 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 deficiencies described in the accompanying Schedule of Findings and Responses as items 2022-001 and 2022-002 to be material weaknesses.

Independent Auditor's 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**

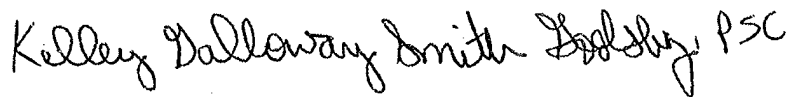
As part of obtaining reasonable assurance about whether the Mason County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2022-001 and 2022-002.

**Views of Responsible Officials and Planned Corrective Action**

Mason 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.



Ashland, Kentucky  
June 20, 2023

**MASON COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

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

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**MASON COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

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

FINANCIAL STATEMENT FINDINGS:

2022-001 The Fiscal Court Did Not Establish Adequate Controls Over The Capital Projects Fund

The fiscal court did not maintain adequate controls over the capital projects fund. No financial statement was prepared and no information regarding the activity in the fund was submitted to the fiscal court for review. This fund is for reporting of debt financing for the fiscal court and not included on the quarterly report, per Department for Local Government guidelines. Receipts for this fund during fiscal year 2022 totaled \$330,831 and disbursements totaled \$2,057,708, so there is significant activity to be accounted for.

The fiscal court did not have controls in place to ensure preparation of a financial statement for the capital projects fund. By not preparing an annual financial statement, the fiscal court is not aware of the transactions that are occurring relating to the receipts and disbursements of the unbudgeted fund. This could result in undetected fraud, errors, or misstatements occurring.

The fiscal court is financially accountable and legally obligated for the debt of the capital projects fund. The fiscal court should establish adequate controls over the fund so that proper records are maintained and complete and accurate information is available for review.

We recommend the county treasurer prepare a financial statement for the capital projects fund that is submitted to the fiscal court for review.

Views of Responsible Official and Planned Corrective Action:

*Treasurer's Response: The capital projects fund for the Court Facilities Project was not included in the liabilities report, including a financial statement, because AOC has funded this project 100% and Kim Muse, treasurer, has no regular access to the statements and activities of this liability. Ms. Muse has corrected this to request monthly statements from our trustee on this account with AOC at the Bank of Maysville and reconcile with them as well as establish a financial statement including this fund for every month in the future. Ms. Muse has corrected this as of June 2023 when she was notified of this error and will continue to provide a financial statement and complete liabilities journal in the future.*

2022-002 Budget Amounts Were Misstated On The Quarterly Report

The county treasurer input budget amounts incorrectly. Due to not having adequate control procedures in place such as independent review or monitoring, the county treasurer made a mistake that went undetected. As a result, the total budgeted receipts on the quarterly report were overstated by \$517,200 and the disbursements were overstated by \$485,000. Adjustments were required by auditor to post the approved budget amounts to the funds.

The Department for Local Government (DLG), under the authority of KRS 68.210, gives the state local finance officer the authority to prescribe minimum requirements for handling public funds. According to the *County Budget Preparation and State Local Finance Officer Policy Manual*, the uniform system of accounts requires the original budget and amendments to agree to the quarterly reports.

We recommend the approved budget amounts and amendments be accurately included on the quarterly reports so that the fiscal court and regulatory agencies such as DLG can accurately monitor the county's budget.

**MASON COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**For The Year Ended June 30, 2022**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2022-002 Budget Amounts Were Misstated On The Quarterly Report (Continued)

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Views of Responsible Official and Planned Corrective Action:

*Treasurer's Response: The receipts totaling \$517,200 consist of (1) General Fund - \$50,000 which was a foundation grant received but not spent in that fiscal year, the Rosenwald Negro School grant. I didn't do a budget amendment as it wasn't spent, therefore no expenditure account assigned. (2) Jail Fund - \$37,200 - \$16,200 was additional salary reimbursement on account 03-4799 for a jail employee salary paid by commissary that was through a specific expenditure account, so I made no increase on the Jail expenditure side. We also started receiving a jail inmate per diem amount from the state because of COVID for \$21,000. I put in a new account code 03-4503 for it but did not add an expenditure code as it wasn't used for a specific expenditure. (3) Federal fund - \$430,000 which were 2 grant COVID 19 utility assistant grant which was received but not expended until the next fiscal year when we reimbursed it back to DLG as the amount was lowered to \$50,000 and Senior Housing Grant for \$265,000 which was received and never expended. We returned the money and reapplied for a larger amount in 2023-2024. No budget amendment needed because it wasn't expended in 21-22.*

*These were all unusual as they weren't spent in that year, or at all. I will consult with my DLG representative to see how I should handle it in the future and will implement their suggestion immediately.*

**Auditor's Reply:** According to the *County Budget Preparation and State Local Finance Officer Policy Manual*, the uniform system of accounts requires the original budget and amendments to agree to the quarterly reports.

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

**MASON COUNTY FISCAL COURT**

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

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CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM  
COUNTY FISCAL COURT

For The Year Ended June 30, 2022

The Mason 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 black ink, appearing to read "Dwight H. H. H.", written over a horizontal line.

County Judge/Executive

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

County Treasurer