

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

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



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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

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

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Gallatin County Fiscal Court, for the year ended June 30, 2020, and the related notes to the financial statement which collectively comprise the Gallatin County Fiscal Court's financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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



To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
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The Honorable Ryan Morris, Gallatin County Judge/Executive
Members of the Gallatin 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 Gallatin County Fiscal Court on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Gallatin County Fiscal Court as of June 30, 2020, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of the Gallatin County Fiscal Court as of June 30, 2020, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Gallatin County Fiscal Court. The Budgetary Comparison Schedules and the Schedule of Expenditures of Federal Awards (supplementary information), as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Schedule of Capital Assets (other information) are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

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

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
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Members of the Gallatin County Fiscal Court

Other Matters (Continued)

Supplementary and Other Information (Continued)

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2021, on our consideration of the Gallatin County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Gallatin County Fiscal Court's internal control over financial reporting and compliance.

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

- 2020-001 The Gallatin County Fiscal Court Did Not Record A State Grant Related To Airport Board Debt
- 2020-002 The Gallatin County Fiscal Court Did Not Record The Purchase Of Ambulance And Equipment

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

September 17, 2021

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

Ryan Morris	County Judge/Executive
M.J. Haddix	Magistrate
Ethan Moore	Magistrate
Joe Shinkle	Magistrate
Donnie Sullivan	Magistrate

Other Elected Officials:

John Wright	County Attorney
Jerry Webb	Jailer
Tracy Miles	County Clerk
Tammy Trimble	Circuit Court Clerk
Josh Neale	Sheriff
Cheyl Jones	Property Valuation Administrator
Kenneth Lafferty	Coroner

Appointed Personnel:

Lesa Bullard	County Treasurer
Brent Brown	Road Supervisor

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

For The Year Ended June 30, 2020

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

For The Year Ended June 30, 2020

	<u>Budgeted Funds</u>		
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
RECEIPTS			
Taxes	\$ 2,405,402	\$	\$
In Lieu Tax Payments	529,043		
Excess Fees	178,493		
Licenses and Permits	67,938		
Intergovernmental	129,763	2,751,712	92,585
Charges for Services	128,775	19,131	10,591
Miscellaneous	84,254	382,592	305
Interest	3,997	6,251	225
Total Receipts	<u>3,527,665</u>	<u>3,159,686</u>	<u>103,706</u>
DISBURSEMENTS			
General Government	1,134,348		
Protection to Persons and Property	103,018		679,651
General Health and Sanitation	79,824		
Social Services	64,083		
Recreation and Culture			
Roads		2,710,476	
Airports			
Debt Service	18,048	240,395	
Capital Projects			21,320
Administration	1,038,968	77,853	43,822
Total Disbursements	<u>2,438,289</u>	<u>3,028,724</u>	<u>744,793</u>
Excess (Deficiency) of Receipts Over Adjustments to Cash (Uses)	<u>1,089,376</u>	<u>130,962</u>	<u>(641,087)</u>
Other Adjustments to Cash (Uses)			
Financing Obligation Proceeds			
Transfers From Other Funds			630,000
Transfers To Other Funds	(1,198,385)		
Total Other Adjustments to Cash (Uses)	<u>(1,198,385)</u>		<u>630,000</u>
Net Change in Fund Balance	(109,009)	130,962	(11,087)
Fund Balance - Beginning (Restated)	863,656	22,164	22,603
Fund Balance - Ending	<u>\$ 754,647</u>	<u>\$ 153,126</u>	<u>\$ 11,516</u>
Composition of Fund Balance			
Bank Balance	\$ 724,710	\$ 2,154,574	\$ 11,516
Less: Outstanding Checks	(31,733)	(2,004,080)	
Certificates of Deposit	61,670	2,632	
Fund Balance - Ending	<u>\$ 754,647</u>	<u>\$ 153,126</u>	<u>\$ 11,516</u>

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

GALLATIN COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2020
(Continued)

Budgeted Funds					
Local Government Economic Assistance Fund	State Grants Fund	Ambulance Fund	Economic Assistance Fund	911 Fund	911 Wireless Fund
\$	\$	\$	\$	\$ 35,282	\$
309,994	4,238,097				134,272
4,711		357,806			
2,125		71,849		83,976	
<u>316,830</u>	<u>4,238,097</u>	<u>429,929</u>	<u>1,309</u>	<u>119,364</u>	<u>134,351</u>
9,366					
43,657		902,196		212,158	16,851
52,314					
12,000					
55,950					
	4,156,905				
67,287					
<u>4,306</u>		<u>128,165</u>		<u>40,870</u>	
<u>244,880</u>	<u>4,156,905</u>	<u>1,030,361</u>		<u>253,028</u>	<u>16,851</u>
<u>71,950</u>	<u>81,192</u>	<u>(600,432)</u>	<u>1,309</u>	<u>(133,664)</u>	<u>117,500</u>
		123,000			
	13,385	485,000		146,000	
					(76,000)
	<u>13,385</u>	<u>608,000</u>		<u>146,000</u>	<u>(76,000)</u>
71,950	94,577	7,568	1,309	12,336	41,500
331,233	25	48,490	200,850	25,573	5,179
<u>\$ 403,183</u>	<u>\$ 94,602</u>	<u>\$ 56,058</u>	<u>\$ 202,159</u>	<u>\$ 37,909</u>	<u>\$ 46,679</u>
\$ 403,183	\$ 94,602	\$ 25,583	\$ 202,159	\$ 37,909	\$ 46,679
		(8)			
		30,483			
<u>\$ 403,183</u>	<u>\$ 94,602</u>	<u>\$ 56,058</u>	<u>\$ 202,159</u>	<u>\$ 37,909</u>	<u>\$ 46,679</u>

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

GALLATIN COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2020
(Continued)

	<u>Budgeted Funds</u>		
	<u>Tourism Fund</u>	<u>AOC Fund</u>	<u>Total Funds</u>
RECEIPTS			
Taxes	\$ 42,017	\$	\$ 2,482,701
In Lieu Tax Payments			529,043
Excess Fees			178,493
Licenses and Permits			67,938
Intergovernmental	6,754	254,754	7,917,931
Charges for Services			516,303
Miscellaneous	3,350		631,037
Interest	606	1,163	16,135
Total Receipts	<u>52,727</u>	<u>255,917</u>	<u>12,339,581</u>
DISBURSEMENTS			
General Government		99,554	1,243,268
Protection to Persons and Property			1,957,531
General Health and Sanitation			132,138
Social Services			76,083
Recreation and Culture	55,788		111,738
Roads			2,710,476
Airports			4,156,905
Debt Service		228,850	554,580
Capital Projects			21,320
Administration			1,333,984
Total Disbursements	<u>55,788</u>	<u>328,404</u>	<u>12,298,023</u>
Excess (Deficiency) of Receipts Over Adjustments to Cash (Uses)	<u>(3,061)</u>	<u>(72,487)</u>	<u>41,558</u>
Other Adjustments to Cash (Uses)			
Financing Obligation Proceeds			123,000
Transfers From Other Funds			1,274,385
Transfers To Other Funds			(1,274,385)
Total Other Adjustments to Cash (Uses)			<u>123,000</u>
Net Change in Fund Balance	(3,061)	(72,487)	164,558
Fund Balance - Beginning (Restated)	97,736	214,695	1,832,204
Fund Balance - Ending	<u>\$ 94,675</u>	<u>\$ 142,208</u>	<u>\$ 1,996,762</u>
Composition of Fund Balance			
Bank Balance	\$ 94,675	\$ 142,208	\$ 3,937,798
Less: Outstanding Checks			(2,035,821)
Certificates of Deposit			94,785
Fund Balance - Ending	<u>\$ 94,675</u>	<u>\$ 142,208</u>	<u>\$ 1,996,762</u>

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

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TO THE FINANCIAL STATEMENT**

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**GALLATIN COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2020

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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

State Grants Fund - The primary purpose of this fund is to account for grant monies received from state and federal agencies. The funds may be used for completing major projects or for specific operating expenses.

Ambulance Fund - The primary purpose of this fund is to account for ambulance services provided to the residents of Gallatin County. The primary source of receipts comes from ambulance services.

Economic Assistance Fund - The primary purpose of this fund is a result of repayment of grant proceeds due to a company not meeting grant requirements. The Cabinet for Economic Development requires these funds to be used for economic development purposes that have prior approval of the cabinet.

911 Fund - The purpose of this fund is to account for Emergency 911 receipts and disbursements. The sole source of receipts for this fund is telephone tax.

911 Wireless Fund - The purpose of this fund is to account for wireless 911 cellular receipts and disbursements. The sole source of receipts for this fund is 911 wireless receipts.

Tourism Fund - The purpose of this fund is to account for tourism related expenses. The main source of receipts is a transient room tax.

AOC Fund - The purpose of this fund is to account for courthouse related expenses. The sole source of receipts is the Administrative Office of the Courts (AOC).

D. Budgetary Information

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

E. Gallatin County Elected Officials

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

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

F. Deposits and Investments

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

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

G. Long-term Obligations

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

H. Joint Venture

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 is considered a joint venture of the Gallatin County Fiscal Court:

Gallatin County Airport Board

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

Note 2. Deposits

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

Custodial Credit Risk - Deposits

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

Note 3. Transfers

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

	General Fund	911 Wireless Fund	Total Transfers In
Jail Fund	\$ 630,000	\$	\$ 630,000
State Grants Fund	13,385		13,385
Ambulance Fund	485,000		485,000
911 Fund	70,000	76,000	146,000
Total Transfers Out	<u>\$ 1,198,385</u>	<u>\$ 76,000</u>	<u>\$ 1,274,385</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.

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

Note 4. Long-term Debt

A. Direct Borrowings and Direct Placements

1. Rescue Truck

On December 17, 2015, the Gallatin County Fiscal Court entered into an agreement with Magnolia Bank for the purpose of securing a loan to purchase a rescue truck for the Glenco Fire Protection District. The original principal amount was \$90,930. The purchased rescue truck serves as collateral for the loan. The agreement requires five annual interest and principal payments and the agreement is to be paid in full by December 17, 2019. The loan agreement was paid off in fiscal year 2020.

2. Ambulance & Equipment

On August 26, 2019, the Gallatin County Fiscal Court entered into an agreement with Magnolia Bank for the purpose of securing a loan to purchase an ambulance and equipment. The original principal amount was \$123,000. The purchased ambulance and equipment serves as collateral for the loan. The agreement requires five annual interest and principal payments and the agreement is to be paid in full by November 20, 2023. In an event of default, outstanding amounts become immediately due if the fiscal court is unable to make payment. Principal payment requirements and scheduled interest for the term of the agreement are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2021	\$ 22,978	\$ 4,142
2022	23,878	3,165
2023	24,814	2,151
2024	25,787	1,096
Totals	<u>\$ 97,457</u>	<u>\$ 10,554</u>

3. Mars Road

On May 27, 2004, the Gallatin County Fiscal Court entered into a 25-year lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) in the amount of \$370,000 at a variable interest rate in order to finance the improvements of Mars Road so that it may be a part of the county road system. Payments of this debt are to be made by the property owners located on Mars Road. Payments are collected by Gallatin County and distributed to KACoLT in order to meet the debt requirements. In an event of default, outstanding amounts become immediately due if the fiscal court is unable to make payment. Interest is paid on a monthly basis and a principal payment is made annually until termination of the lease on July 20, 2029. Principal payment requirements and scheduled interest for the term of the agreement are as follows:

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

Note 4. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

3. Mars Road (Continued)

Fiscal Year Ended June 30	Principal	Scheduled Interest
2021	\$ 15,000	\$ 6,264
2022	15,000	5,631
2023	15,000	4,992
2024	15,000	9,301
2025	15,000	3,452
2026-2029	<u>32,609</u>	<u>9,423</u>
Totals	<u>\$ 107,609</u>	<u>\$ 39,063</u>

4. Sugar Bay Road

On May 27, 2004, the Gallatin County Fiscal Court entered into a 25-year lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) in the amount of \$160,000 at a variable interest rate in order to finance the improvements of Sugar Bay Road so that it may be a part of the county road system. Payments of this debt are to be made by the property owners located on Sugar Bay Road. Payments are collected by Gallatin County and distributed to KACoLT in order to meet the debt requirements. In an event of default, outstanding amounts become immediately due if the fiscal court is unable to make payment. Interest is paid on a monthly basis and a principal payment is made annually until termination of the lease on July 20, 2027. Principal payment requirements and scheduled interest for the term of the agreement are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2021	\$ 5,000	\$ 1,963
2022	5,000	1,753
2023	5,000	1,540
2024	5,000	1,333
2025	5,000	6,049
2026-2028	<u>6,857</u>	<u>627</u>
Totals	<u>\$ 31,857</u>	<u>\$ 13,265</u>

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

Note 4. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

5. Land-County Park and Fairgrounds

On September 15, 2005, the Gallatin County Fiscal Court entered into a 20-year lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) in the amount of \$820,000 at a variable interest rate in order to finance the acquisition of 155 acres of land for a county park and fairgrounds. In an event of default, outstanding amounts become immediately due if the fiscal court is unable to make payment. Interest is paid on a monthly basis and a principal payment is made annually until termination of the lease on January 20, 2026. Principal payment requirements and scheduled interest for the term of the agreement are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2021	\$ 50,000	\$ 12,959
2022	50,000	10,851
2023	55,000	8,653
2024	60,000	6,250
2025	65,000	3,635
2026	38,213	171
Totals	<u>\$ 318,213</u>	<u>\$ 42,519</u>

6. Courthouse Renovations

a) #1

On June 30, 2006, the Gallatin County Fiscal Court entered into a 20-year lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) in the amount of \$2,498,784 in order to finance the renovations of the Gallatin County Courthouse. The courthouse will be subleased to the Administrative Office of the Courts (AOC) of the Commonwealth of Kentucky for use as court facilities. Under the sublease agreement, the financing obligation payments of the county are to be paid directly to the trustee by AOC and the fiscal court is obligated to provide operation, maintenance, insurance, and repair of the project. In an event of default, outstanding amounts become immediately due if the fiscal court is unable to make payment. Interest is paid on a monthly basis and principal payments are paid on a semi-annual basis until termination of the lease on November 20, 2026. The rate in the lease was fixed at 4.49 percent through the use of an interest rate swap between the trustee and a third-party financial institution. The trustee has the right to charge any costs associated with the interest rate swap to the fiscal court through additional future rentals.

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

Note 4. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

6. Courthouse Renovations (Continued)

a) #1 (Continued)

Principal payment requirements and scheduled interest for the remaining term of the agreement, excluding any additional rentals resulting from the interest rate swap, are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2021	\$ 143,003	\$ 55,996
2022	150,548	48,452
2023	158,548	40,452
2024	166,800	32,200
2025	175,648	23,352
2026-2027	383,011	14,989
Totals	<u>\$ 1,177,558</u>	<u>\$ 215,441</u>

b) #2

On June 28, 2007, the Gallatin County Fiscal Court entered into a 20-year lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) in the amount of \$375,808 in order to further finance the renovations of the Gallatin County Courthouse. As above, the courthouse will be subleased to AOC for use as court facilities. Under the sublease agreement, the financing obligation payments of the county are to be paid directly to the trustee by AOC and the fiscal court is obligated to provide operation, maintenance, insurance, and repair of the project. Interest is paid on a monthly basis and principal payments are paid on a semi-annual basis until termination of the lease on May 20, 2027. The rate in the lease was fixed at 5.157 percent through the use of an interest rate swap between the trustee and a third-party financial institution. The trustee has the right to charge any costs associated with the interest rate swap to the fiscal court through additional future rentals. In an event of default, outstanding amounts become immediately due if the fiscal court is unable to make payment. Principal payment requirements and scheduled interest for the remaining term of the agreement, excluding any additional rentals resulting from the interest rate swap, are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2021	\$ 21,493	\$ 8,358
2022	22,606	7,244
2023	23,776	6,074
2024	25,006	4,844
2025	26,302	3,548
2026-2027	56,875	2,825
Totals	<u>\$ 176,058</u>	<u>32,893</u>

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

Note 4. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

6. Courthouse Renovations (Continued)

c) Courthouse Renovations Agreement

On July 10, 2001, the Gallatin County Fiscal Court entered into a lease agreement with AOC, which states that AOC agrees to pay 100 percent of the debt service requirements. The lease does not require the fiscal court to make any rental payments toward the project; however, the fiscal court is obligated to provide operation, maintenance, insurance, and repair of the project.

The lease is secured by a security interest in any and all right, title, and interest of the county in the courthouse that constitute personal property and in all additions, attachments, accessions, and substitutions thereto, and any proceeds therefrom.

7. Carver Farms Subdivision Roads

On December 22, 2005, the Gallatin County Fiscal Court entered into a 25-year lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) in the amount of \$79,000 at a variable interest rate in order to finance the construction of roads in the Carver Farms Subdivision so that they may be a part of the county road system. Payments of this debt are to be made by the property owners located in the Carver Farms Subdivision. Payments are collected by the Gallatin County Fiscal Court and distributed to KACoLT in order to meet the debt requirements. Principal and interest are paid on a monthly basis until termination of the lease on December 20, 2030. In an event of default, outstanding amounts become immediately due if the fiscal court is unable to make payment. Principal payment requirements and scheduled interest for the term of the agreement are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2021	\$ 3,269	\$ 2,062
2022	3,477	1,922
2023	3,696	1,771
2024	3,929	1,612
2025	4,179	1,441
2026-2029	15,709	3,835
Totals	<u>\$ 34,259</u>	<u>\$ 12,643</u>

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

Note 4. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

8. Creekside Subdivision Roads

On December 22, 2005, the Gallatin County Fiscal Court entered into a 25-year lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) in the amount of \$157,000 at a variable interest rate in order to finance the construction of roads in the Creekside Subdivision so that they may be a part of the county road system. Payments of this debt are to be made by the property owners located in the Creekside Subdivision. Payments are collected by the Gallatin County Fiscal Court and distributed to KACoLT in order to meet the debt requirements. In an event of default, outstanding amounts become immediately due if the fiscal court is unable to make payment. Principal and interest are paid on a monthly basis until termination of the lease on December 20, 2030. Principal payment requirements and scheduled interest for the term of the agreement are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2021	\$ 5,557	\$ 8,322
2022	5,910	2,522
2023	6,281	2,267
2024	6,678	1,995
2025	7,098	1,706
2026-2027	<u>14,304</u>	<u>2,465</u>
Totals	<u>\$ 45,828</u>	<u>\$ 19,277</u>

9. Scenic View Road

On September 4, 2007, the Gallatin County Fiscal Court entered into a 25-year lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) in the amount of \$138,283 at a variable rate of interest in order to finance the construction of roads in Scenic View Subdivision so that they may be part of the county road system. Payments of this debt are to be made by the property owners located in the Scenic View Subdivision. Payments are collected by the fiscal court and distributed to KACoLT in order to meet the debt requirements. In an event of default, outstanding amounts become immediately due if the fiscal court is unable to make payment. Principal and interest are paid on a monthly basis until termination of the lease on September 20, 2032. Principal payment requirements and scheduled interest for the term of the agreement are as follows:

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

Note 4. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

9. Scenic View Road (Continued)

Fiscal Year Ended June 30	Principal	Scheduled Interest
2021	\$ 5,231	\$ 4,041
2022	5,562	3,813
2023	5,911	3,573
2024	6,285	3,318
2025	6,682	3,044
2026-2030	40,290	10,494
2031	3,179	1,010
Totals	<u>\$ 73,140</u>	<u>\$ 29,293</u>

10. Hillendale Road

On November 30, 2012, the Gallatin County Fiscal Court entered into a 25-year lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) in the amount of \$85,000 at a variable rate of interest in order to finance the construction of roads in Hillendale Subdivision so that they may be part of the county road system. Payments of this debt are to be made by the property owners located in the Hillendale Subdivision. Payments are collected by the Gallatin County Fiscal Court and distributed to KACoLT in order to meet the debt requirements. In an event of default, outstanding amounts become immediately due if the fiscal court is unable to make payment. Principal and interest are paid on a monthly basis until termination of the lease on December 20, 2032. Principal payment requirements and scheduled interest for the term of the agreement are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2021	\$ 5,000	\$ 2,311
2022	5,000	2,196
2023	5,000	2,074
2024	5,000	1,941
2025	5,000	1,804
2026-2030	25,000	6,744
2031-2033	12,500	1,876
Totals	<u>\$ 62,500</u>	<u>\$ 18,946</u>

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

Note 4. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

11. Napoleon Hills Subdivision Roads

On October 22, 2015, the Gallatin County Fiscal Court entered into a 15-year lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) in the amount of \$115,000 at a variable rate of interest in order to finance the construction of roads in Napoleon Hills Subdivision so that they may be part of the county road system. Payments of this debt are to be made by the property owners located in the Napoleon Hills Subdivision. Payments are collected by the Gallatin County Fiscal Court and distributed to KACoLT in order to meet the debt requirements. In an event of default, outstanding amounts become immediately due if the fiscal court is unable to make payment. Principal and interest are paid on a monthly basis until termination of the lease on December 20, 2029. Principal payment requirements and scheduled interest for the term of the agreement are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2021	\$ 5,000	\$ 2,700
2022	7,500	2,550
2023	10,000	2,325
2024	10,000	2,025
2025	10,000	1,725
2026-2030	45,000	4,014
Totals	<u>\$ 87,500</u>	<u>\$ 15,339</u>

12. Fogg Road

On October 22, 2015, the Gallatin County Fiscal Court entered into a 15-year lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) in the amount of \$180,000 at a variable rate of interest in order to finance the construction of roads in Fogg Road Subdivision so that they may be part of the county road system. Payments of this debt are to be made by the property owners located in the Fogg Road Subdivision. Payments are collected by the Gallatin County Fiscal Court and distributed to KACoLT in order to meet the debt requirements. Interest is paid on a monthly basis and a principal payment is made annually until termination of the lease on December 20, 2029. In an event of default, outstanding amounts become immediately due if the fiscal court is unable to make payment.

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

Note 4. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

12. Fogg Road (Continued)

Principal payment requirements and scheduled interest for the term of the agreement are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2021	\$ 10,000	\$ 4,013
2022	10,000	3,713
2023	12,500	3,413
2024	15,000	3,038
2025	15,000	2,588
2026-2030	<u>67,500</u>	<u>6,020</u>
Totals	<u>\$ 130,000</u>	<u>\$ 22,785</u>

13. Valley View Subdivision Roads

On October 22, 2015, the Gallatin County Fiscal Court entered into a 20-year lease with the Kentucky Association of Counties Leasing Trust (KACoLT) in the amount of \$190,000 at a variable rate of interest in order to finance the construction of roads in Valley View Subdivision so that they may be part of the county road system. Payments of this debt are to be made by the property owners located in the Valley View Subdivision. Payments are collected by the Gallatin County Fiscal Court and distributed to KACoLT in order to meet the debt requirements. Principal and interest are paid on a monthly basis until termination of the lease on December 20, 2034. In an event of default, outstanding amounts become immediately due if the fiscal court is unable to make payment. Principal payment requirements and scheduled interest for the term of the agreement are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2021	\$ 10,000	\$ 4,825
2022	10,000	4,525
2023	10,000	4,225
2024	10,000	3,925
2025	10,000	3,625
2026-2030	50,000	13,514
2031-2035	<u>50,000</u>	<u>5,223</u>
Totals	<u>\$ 150,000</u>	<u>\$ 39,862</u>

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

Note 4. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

14. Meadowlark Lane

On December 22, 2016, the Gallatin County Fiscal Court entered into a 15-year lease with the Kentucky Association of Counties Leasing Trust (KACoLT) in the amount of \$135,000 at a variable rate of interest in order to finance the construction of roads in Meadowlark Lane Subdivision so that they may be part of the county road system. Payments of this debt are to be made by the property owners located in the Meadowlark Lane Subdivision. Payments are collected by the Gallatin County Fiscal Court and distributed to KACoLT in order to meet the debt requirements. Principal and interest are paid on a monthly basis until termination of the lease on February 1, 2032. In an event of default, outstanding amounts become immediately due if the fiscal court is unable to make payment. Principal payment requirements and scheduled interest for the term of the agreement are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2021	\$ 10,000	\$ 3,650
2022	10,000	3,350
2023	10,000	3,050
2024	10,000	2,750
2025	10,000	2,450
2026-2030	50,000	7,600
2031-2032	15,000	700
Totals	<u>\$ 115,000</u>	<u>\$ 23,550</u>

15. Ashley Estates

On November 1, 2017, the Gallatin County Fiscal Court entered into a 15-year lease with the Kentucky Association of Counties Leasing Trust (KACoLT) in the amount of \$185,000 at a variable rate of interest in order to finance the construction of roads in Ashley Estate Subdivision so that they may be part of the county road system. Payments of this debt are to be made by the property owners located in the Ashley Estates Subdivision. Payments are collected by the Gallatin County Fiscal Court and distributed to KACoLT in order to meet the debt requirements. Principal and interest are paid on a monthly basis until termination of the lease on January 1, 2032. In an event of default, outstanding amounts become immediately due if the fiscal court is unable to make payment.

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

Note 4. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

15. Ashley Estates (Continued)

Principal payment requirements and scheduled interest for the term of the agreement are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2021	\$ 5,000	\$ 6,745
2022	9,167	6,544
2023	15,000	6,178
2024	15,000	5,578
2025	15,000	4,978
2026-2030	92,083	15,122
2031-2032	31,250	1,339
Totals	<u>\$ 182,500</u>	<u>\$ 46,484</u>

16. Jail Van

On September 27, 2018, the Gallatin County Fiscal Court entered into a 3-year lease with the Kentucky Association of Counties Leasing Trust (KACoLT) for the purpose of securing a loan to purchase a van for the Gallatin County Jail Fund. The original principal amount was \$60,000. The agreement requires 36 interest and principal payments with a fixed interest rate of 3.95%, and the agreement is to be paid in full by September 20, 2021. In an event of default, outstanding amounts become immediately due if the fiscal court is unable to make payment. Principal payment requirements and scheduled interest for the term of the agreement are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2021	\$ 20,666	\$ 654
2022	5,295	35
Totals	<u>\$ 25,961</u>	<u>\$ 689</u>

17. Timberline Road

On September 20, 2018, the Gallatin County Fiscal Court entered into a 15-year lease with the Kentucky Association of Counties Leasing Trust (KACoLT) in the amount of \$205,000 at a variable rate of interest in order to finance the construction in roads in the Timberline Road Subdivision so that they may be part of the county road system. Payments of this debt are to be made by the property owners located in the Ashley Estates Subdivision. Payments are collected by the fiscal court and distributed to KACoLT in order to meet the debt requirements. Principal and interest are paid on a monthly basis until termination of the lease on December 20, 2032.

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

Note 4. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

17. Timberline Road (Continued)

In an event of default, outstanding amounts become immediately due if the fiscal court is unable to make payment. Principal payment requirements and scheduled interest for the term of the agreement are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2021	\$ 10,000	\$ 8,196
2022	10,000	5,189
2023	12,500	4,676
2024	15,000	6,544
2025	15,000	6,494
2026-2030	75,000	20,790
2031-2033	47,500	4,227
Totals	<u>\$ 185,000</u>	<u>\$ 56,116</u>

B. Interest Rate Swap

Some of the fiscal court's leases have been fixed through the use of interest rate swaps. The interest rate swaps are exchange agreements between the trustee and a third-party financial institution, whereby the third-party financial institution pays the trustee the variable rate interest within the swap (which is equivalent to the variable rate within the lease) and the fiscal court pays the fixed rate stated by the swap. Under the terms of lease agreements, the trustee has the right to charge costs associated with the interest rate swap to the fiscal court through additional future rentals.

The swap becomes effective on the date that the county exercises its option to convert the variable interest rate in the lease to a fixed rate. The notional amount of the swap at that exercise date is equivalent to the then outstanding principal balance. The notional amount reduces over the term of the lease by the same amount as the principal payments on the lease, as they fall due. The swap terminates on the same date as the final principal payment is due on the respective lease.

The interest rate swaps in effect as of June 30, 2020, are as follows:

	Date Effective	Termination Date	Notional Amount at June 30, 2020
Courthouse Renovations - #1	June 30, 2006	December 1, 2026	\$ 1,177,558
Courthouse Renovations - #2	June 28, 2007	June 1, 2027	\$ 176,058

The settlement values above are calculated using the zero-coupon rate and are considered by the fiscal court to represent the fair value of the interest rate swaps at June 30, 2020. The variable rate on all of the swaps is the USD-BMA Municipal Swap Index.

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

Note 4. Long-term Debt (Continued)

B. Interest Rate Swap (Continued)

The swaps expose the fiscal court to the following risks that could give rise to additional rentals:

Credit risk: Credit risk is the risk that the third-party financial institution will not fulfill its obligations to pay the variable rate interest. All third-party financial institutions party to the interest rate swaps have S&P credit quality ratings of AA-. The value of the transaction to the fiscal court depends upon the third-party financial institutions maintaining their perceived creditworthiness in the municipal marketplace and fulfilling their obligations under the interest rate swap agreements. Should the third-party financial institutions fail to fulfill their obligations, the fiscal court will be required to pay additional rentals for any costs associated with terminating the swap agreement, plus the costs of entering into an interest rate swap agreement with an alternative financial institution. Should an alternative agreement not be available, the fiscal court would be required to make payments at the variable interest rate contained within the lease.

Basis risk: Basis risk is a term used to refer to a mismatch in the source of the variable interest rates in the lease agreement and the swap agreement. When an agency uses an interest rate swap agreement in conjunction with a variable rate debt instrument, the variable rate index used to calculate the payments due under the swap agreement (in this case, the USD-BMA Municipal Swap Index) may not match the rate at which the variable rate debt is remarketed (the interest rate on KACoLT's variable rate bonds, which is reset on a daily basis). This mismatch could potentially be magnified if KACoLT were to administer the program in such a way that the underlying bonds were determined to be taxable obligations, which would be considered an event of default according to the terms of the letter of credit agreement.

Termination risk: Termination risk is the risk that a derivative's unscheduled end will affect the fiscal court's asset/liability strategy or will present the fiscal court with potentially significant unscheduled termination payments to the trustee. For example, the fiscal court relies on the interest rate swaps to insulate it from the possibility of increasing interest rate payments. If the swap has an unscheduled termination, that benefit would not be available. The fiscal court would also be required to pay any costs associated with terminating the swap agreement.

Market access risk: Market-access risk is the risk that the fiscal court will not be able to enter credit markets or that credit will become more costly. If the fiscal court is required to pay additional rentals or be required to pay higher variable rates, the fiscal court's credit rating could suffer, and additional debt could become more expensive and more difficult to sell. The fiscal court may also be required to pay additional rentals for fees relating to any letters of credit being used to collateralize the interest rate swaps. Furthermore, if interest rates in the municipal bond market were to decrease and the fiscal court wanted to refinance the debt at a lower interest rate, the fiscal court would first have to terminate the swap agreement. When interest rate swap agreements are terminated prior to the contract's maturity, one party to the agreement will owe the other party a termination payment that reflects the value of the swap under current market conditions. It is likely that if rates have decreased to the extent that the fiscal court would want to refinance the debt, the fiscal court would be the party that would have to make a termination payment. The use of the interest rate swap agreement may limit the fiscal court's flexibility in managing the lease obligations going forward.

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

Note 4. Long-term Debt (Continued)

C. Changes In Long-term Debt

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

	(Restated*) Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 3,330,803	\$ 123,000	\$ 453,363	\$ 3,000,440	\$ 347,197
Total Long-term Debt	<u>\$ 3,330,803</u>	<u>\$ 123,000</u>	<u>\$ 453,363</u>	<u>\$ 3,000,440</u>	<u>\$ 347,197</u>

* The beginning balance was restated by (\$19,330), due to errors in the prior year.

D. Aggregate Debt Schedule

Aggregate debt schedule is as follows:

Fiscal Year Ended June 30	Direct Borrowings and Direct Placements	
	Principal	Interest
2021	\$ 347,197	\$ 137,201
2022	348,943	113,455
2023	373,026	97,414
2024	394,485	87,750
2025	384,909	69,891
2026-2030	992,451	118,632
2031-2035	159,429	14,375
Totals	<u>\$ 3,000,440</u>	<u>\$ 638,718</u>

Note 5. Employee Retirement System

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

The county's contribution for FY 2018 was \$366,565, FY 2019 was \$415,608, and FY 2020 was \$505,390.

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

Note 5. Employee Retirement System (Continued)

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

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

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

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

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

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

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

Note 5. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (Continued)

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

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

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

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

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

C. Cost of Living Adjustments - Tier 1

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

D. 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.

E. Death Benefit

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

KRS Annual Financial Report and Proportionate Share Audit Report

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

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

Note 5. Employee Retirement System (Continued)

KRS Annual Financial Report and Proportionate Share Audit Report

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

Note 6. Deferred Compensation

The Gallatin 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 7. Insurance

For the fiscal year ended June 30, 2020, the Gallatin 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 8. Conduit Debt

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

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

Note 9. Tax Abatement

The occupational tax license fee was abated under the authority of the Kentucky Business Investment (KBI) Program. RB Distribution, Inc., (dba Dorman Products) (the company) is eligible to receive this tax abatement as a result of its commitment to create certain jobs and investments in Gallatin County, Kentucky. The taxes are abated by allowing the company to retain or have rebated to them 0.25 percent of subject wages and compensation earned in Gallatin County, Kentucky, in accordance with the Gallatin County Occupational License Fee ordinance for ten years from approval of the project by KBI. Abatement of taxes can be suspended if the company does not maintain the required baseline of 260 employees and at least 80 employees associated with the new Kentucky Business Investment Program Project. For fiscal year ended June 30, 2020, the Gallatin County Fiscal Court abated occupational taxes totaling \$0.

Note 10. Prior Period Adjustment

The prior period ending balance for the local government economic assistance fund (LGEA) was increased by \$136,496 to include the prior year sewer board ending bank balance that is part of the LGEA fund.

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

For The Year Ended June 30, 2020

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GALLATIN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2020

	GENERAL FUND			
	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Taxes	\$ 1,820,500	\$ 1,887,017	\$ 2,405,402	\$ 518,385
In Lieu Tax Payments	515,000	515,000	529,043	14,043
Excess Fees	6,000	178,493	178,493	
Licenses and Permits	61,000	61,000	67,938	6,938
Intergovernmental	115,230	121,903	129,763	7,860
Charges for Services	110,000	110,000	128,775	18,775
Miscellaneous	51,000	75,475	84,254	8,779
Interest	2,100	2,893	3,997	1,104
Total Receipts	<u>2,680,830</u>	<u>2,951,781</u>	<u>3,527,665</u>	<u>575,884</u>
DISBURSEMENTS				
General Government	1,113,177	1,264,795	1,134,348	130,447
Protection to Persons and Property	106,074	115,539	103,018	12,521
General Health and Sanitation	76,302	84,180	79,824	4,356
Social Services	75,500	78,815	64,083	14,732
Recreation and Culture	2,000	2,000		2,000
Debt Service	18,049	18,049	18,048	1
Capital Projects	20,000			
Administration	1,044,300	1,087,668	1,038,968	48,700
Total Disbursements	<u>2,455,402</u>	<u>2,651,046</u>	<u>2,438,289</u>	<u>212,757</u>
Excess (Deficiency) of Receipts Over Adjustments to Cash (Uses)	<u>225,428</u>	<u>300,735</u>	<u>1,089,376</u>	<u>788,641</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	50,000	50,000		(50,000)
Transfers To Other Funds	(975,674)	(975,674)	(1,198,385)	(222,711)
Total Other Adjustments to Cash (Uses)	<u>(925,674)</u>	<u>(925,674)</u>	<u>(1,198,385)</u>	<u>(272,711)</u>
Net Change in Fund Balance	(700,246)	(624,939)	(109,009)	515,930
Fund Balance - Beginning	700,246	863,655	863,656	1
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 238,716</u>	<u>\$ 754,647</u>	<u>\$ 515,931</u>

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

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 715,614	\$ 2,741,614	\$ 2,751,712	\$ 10,098
Charges for Services	19,000	19,000	19,131	131
Miscellaneous	146,051	371,051	382,592	11,541
Interest	600	600	6,251	5,651
Total Receipts	<u>881,265</u>	<u>3,132,265</u>	<u>3,159,686</u>	<u>27,421</u>
DISBURSEMENTS				
Roads	788,000	2,788,000	2,710,476	77,524
Debt Service	141,051	246,478	240,395	6,083
Administration	95,044	240,617	77,853	162,764
Total Disbursements	<u>1,024,095</u>	<u>3,275,095</u>	<u>3,028,724</u>	<u>246,371</u>
Excess (Deficiency) of Receipts Over Adjustments to Cash (Uses)	<u>(142,830)</u>	<u>(142,830)</u>	<u>130,962</u>	<u>273,792</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(50,000)</u>	<u>(50,000)</u>	<u></u>	<u>50,000</u>
Total Other Adjustments to Cash (Uses)	<u>(50,000)</u>	<u>(50,000)</u>	<u></u>	<u>50,000</u>
Net Change in Fund Balance	(192,830)	(192,830)	130,962	323,792
Fund Balance - Beginning	<u>192,830</u>	<u>192,830</u>	<u>22,164</u>	<u>(170,666)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 153,126</u>	<u>\$ 153,126</u>

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

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 89,100	\$ 90,716	\$ 92,585	\$ 1,869
Charges for Services	7,000	7,172	10,591	3,419
Miscellaneous	300	330	305	(25)
Interest	50	176	225	49
Total Receipts	<u>96,450</u>	<u>98,394</u>	<u>103,706</u>	<u>5,312</u>
DISBURSEMENTS				
Protection to Persons and Property	448,559	680,821	679,651	1,170
Capital Projects	21,321	21,321	21,320	1
Administration	33,700	44,023	43,822	201
Total Disbursements	<u>503,580</u>	<u>746,165</u>	<u>744,793</u>	<u>1,372</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(407,130)</u>	<u>(647,771)</u>	<u>(641,087)</u>	<u>6,684</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>397,130</u>	<u>397,130</u>	<u>630,000</u>	<u>232,870</u>
Total Other Adjustments to Cash (Uses)	<u>397,130</u>	<u>397,130</u>	<u>630,000</u>	<u>232,870</u>
Net Change in Fund Balance	(10,000)	(250,641)	(11,087)	239,554
Fund Balance - Beginning	<u>10,000</u>	<u>22,602</u>	<u>22,603</u>	<u>1</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (228,039)</u>	<u>\$ 11,516</u>	<u>\$ 239,555</u>

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

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	<u>Budgeted Amounts</u>		<u>Actual Amounts, (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Intergovernmental	\$ 295,000	\$ 295,000	\$ 309,994	\$ 14,994
Miscellaneous	500	4,711	4,711	
Interest	500	1,645	2,125	480
Total Receipts	<u>296,000</u>	<u>301,356</u>	<u>316,830</u>	<u>15,474</u>
DISBURSEMENTS				
General Government		9,366	9,366	
Protection to Persons and Property	40,000	44,543	43,657	886
General Health and Sanitation	73,000	73,000	52,314	20,686
Social Services	12,000	12,000	12,000	
Recreation and Culture	159,000	159,943	55,950	103,993
Other Transportation Facilities and Services	40,000	40,000		40,000
Debt Service	67,300	67,300	67,287	13
Administration	14,500	227,323	4,306	223,017
Total Disbursements	<u>405,800</u>	<u>633,475</u>	<u>244,880</u>	<u>388,595</u>
Excess (Deficiency) of Receipts Over Adjustments to Cash (Uses)	<u>(109,800)</u>	<u>(332,119)</u>	<u>71,950</u>	<u>404,069</u>
Net Change in Fund Balance	(109,800)	(332,119)	71,950	404,069
Fund Balance - Beginning (Restated)	<u>109,800</u>	<u>331,233</u>	<u>331,233</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (886)</u>	<u>\$ 403,183</u>	<u>\$ 404,069</u>

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

	STATE GRANTS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 8,000,000	\$ 8,000,000	\$ 4,238,097	\$ (3,761,903)
Total Receipts	8,000,000	8,000,000	4,238,097	(3,761,903)
DISBURSEMENTS				
Airports	8,000,023	8,000,023	4,156,905	3,843,118
Total Disbursements	8,000,023	8,000,023	4,156,905	3,843,118
Excess (Deficiency) of Receipts Over Adjustments to Cash (Uses)	(23)	(23)	81,192	81,215
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			13,385	13,385
Total Other Adjustments to Cash (Uses)			13,385	13,385
Net Change in Fund Balance	(23)	(23)	94,577	94,600
Fund Balance - Beginning	23	23	25	2
Fund Balance - Ending	\$ 0	\$ 0	\$ 94,602	\$ 94,602

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

	AMBULANCE FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 10,000	\$ 10,000	\$	\$ (10,000)
Charges for Services	400,000	400,000	357,806	(42,194)
Miscellaneous	100	54,019	71,849	17,830
Interest	50	220	274	54
Total Receipts	<u>410,150</u>	<u>464,239</u>	<u>429,929</u>	<u>(34,310)</u>
DISBURSEMENTS				
Protection to Persons and Property	688,540	788,058	902,196	(114,138)
Administration	162,000	144,852	128,165	16,687
Total Disbursements	<u>850,540</u>	<u>932,910</u>	<u>1,030,361</u>	<u>(97,451)</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(440,390)</u>	<u>(468,671)</u>	<u>(600,432)</u>	<u>(131,761)</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds			123,000	123,000
Transfers From Other Funds	410,390	410,390	485,000	74,610
Total Other Adjustments to Cash (Uses)	<u>410,390</u>	<u>410,390</u>	<u>608,000</u>	<u>197,610</u>
Net Change in Fund Balance	(30,000)	(58,281)	7,568	65,849
Fund Balance - Beginning	<u>30,000</u>	<u>48,490</u>	<u>48,490</u>	<u>(0)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (9,791)</u>	<u>\$ 56,058</u>	<u>\$ 65,849</u>

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

	ECONOMIC ASSISTANCE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$ 500	\$ 500	\$ 1,309	\$ 809
Total Receipts	500	500	1,309	809
DISBURSEMENTS				
Administration	200,500	200,500		200,500
Total Disbursements	200,500	200,500		200,500
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(200,000)	(200,000)	1,309	201,309
Net Change in Fund Balance	(200,000)	(200,000)	1,309	201,309
Fund Balance - Beginning	200,000	200,000	200,850	850
Fund Balance - Ending	\$ 0	\$ 0	\$ 202,159	\$ 202,159

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

	911 FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 32,000	\$ 35,858	\$ 35,282	\$ (576)
Miscellaneous	100	100	83,976	83,876
Interest	50	72	106	34
Total Receipts	<u>32,150</u>	<u>36,030</u>	<u>119,364</u>	<u>83,334</u>
DISBURSEMENTS				
Protection to Persons and Property	258,900	272,034	212,158	59,876
Administration	57,500	64,758	40,870	23,888
Total Disbursements	<u>316,400</u>	<u>336,792</u>	<u>253,028</u>	<u>83,764</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(284,250)</u>	<u>(300,762)</u>	<u>(133,664)</u>	<u>167,098</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	279,250	279,250	146,000	(133,250)
Total Other Adjustments to Cash (Uses)	<u>279,250</u>	<u>279,250</u>	<u>146,000</u>	<u>(133,250)</u>
Net Change in Fund Balance	(5,000)	(21,512)	12,336	33,848
Fund Balance - Beginning	<u>5,000</u>	<u>25,572</u>	<u>25,573</u>	<u>1</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 4,060</u>	<u>\$ 37,909</u>	<u>\$ 33,849</u>

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

	911 WIRELESS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 114,000	\$ 114,000	\$ 134,272	\$ 20,272
Interest	100	100	79	(21)
Total Receipts	<u>114,100</u>	<u>114,100</u>	<u>134,351</u>	<u>20,251</u>
DISBURSEMENTS				
Protection to Persons and Property	13,004	17,064	16,851	213
Total Disbursements	<u>13,004</u>	<u>17,064</u>	<u>16,851</u>	<u>213</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>101,096</u>	<u>97,036</u>	<u>117,500</u>	<u>20,464</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(111,096)	(111,096)	(76,000)	35,096
Total Other Adjustments to Cash (Uses)	<u>(111,096)</u>	<u>(111,096)</u>	<u>(76,000)</u>	<u>35,096</u>
Net Change in Fund Balance	(10,000)	(14,060)	41,500	55,560
Fund Balance - Beginning	<u>10,000</u>	<u>10,000</u>	<u>5,179</u>	<u>(4,821)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (4,060)</u>	<u>\$ 46,679</u>	<u>\$ 50,739</u>

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

	TOURISM FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 40,000	\$ 40,000	\$ 42,017	\$ 2,017
Intergovernmental	3,500	3,500	6,754	3,254
Miscellaneous	100	100	3,350	3,250
Interest	500	500	606	106
Total Receipts	<u>44,100</u>	<u>44,100</u>	<u>52,727</u>	<u>8,627</u>
DISBURSEMENTS				
Recreation and Culture	89,000	89,000	55,788	33,212
Administration	100	100		100
Total Disbursements	<u>89,100</u>	<u>89,100</u>	<u>55,788</u>	<u>33,312</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(45,000)</u>	<u>(45,000)</u>	<u>(3,061)</u>	<u>41,939</u>
Net Change in Fund Balance	(45,000)	(45,000)	(3,061)	41,939
Fund Balance - Beginning	<u>45,000</u>	<u>45,000</u>	<u>97,736</u>	<u>52,736</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 94,675</u>	<u>\$ 94,675</u>

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

	AOC FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 221,000	\$ 221,000	\$ 254,754	\$ 33,754
Interest	1,000	1,000	1,163	163
Total Receipts	<u>222,000</u>	<u>222,000</u>	<u>255,917</u>	<u>33,917</u>
DISBURSEMENTS				
General Government	123,000	123,000	99,554	23,446
Debt Service	199,000	199,000	228,850	(29,850)
Total Disbursements	<u>322,000</u>	<u>322,000</u>	<u>328,404</u>	<u>(6,404)</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(100,000)</u>	<u>(100,000)</u>	<u>(72,487)</u>	<u>27,513</u>
Net Change in Fund Balance	(100,000)	(100,000)	(72,487)	27,513
Fund Balance - Beginning	<u>100,000</u>	<u>100,000</u>	<u>214,695</u>	<u>114,695</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 142,208</u>	<u>\$ 142,208</u>

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

June 30, 2020

Note 1. Budgetary Information

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

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

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

Note 2. Excess of Disbursements Over Appropriations

The AOC fund, debt service line item, exceeded budgeted appropriations by \$29,850. Total AOC fund disbursements exceeded budgeted appropriations by \$6,404.

The ambulance fund, protection to persons and property line item, exceeded budgeted appropriations by \$114,138. Total ambulance fund disbursements exceeded budgeted appropriations by \$97,451.

**GALLATIN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For The Year Ended June 30, 2020

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**GALLATIN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For The Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity's Identifying Number	Provided to Subrecipient	Total Federal Expenditures
<u>U. S. Department of Transportation (DOT)</u>				
Federal Aviation Administration				
<i>Direct Program</i>				
Airport Improvement Program	20.106	Unknown	\$	\$ 457,509
<i>Direct Program</i>				
Airport Improvement Program	20.106	Unknown	_____	2,304,084
Total U.S. Department of Transportation (DOT)			_____	<u>2,761,593</u>
<u>U. S. Department of Treasury (TREAS)</u>				
<i>Passed-Through Kentucky Department for Local Government, Office of Federal Grants</i>				
COVID-19 Coronavirus Relief Fund for States	21.019	C074	_____	224,004
Total U.S. Department of Treasury (TREAS)			_____	<u>224,004</u>
Total Expenditures of Federal Awards			\$ 0	<u>\$2,985,597</u>

The accompanying notes are an integral part of this schedule.

GALLATIN COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2020

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Gallatin County, Kentucky under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Gallatin County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Gallatin County, Kentucky.

Note 2. Summary of Significant Accounting Policies

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

Note 3. Indirect Cost Rate

Gallatin County has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

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

For The Year Ended June 30, 2020

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GALLATIN COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2020

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Improvements	\$ 5,975,313	\$	\$	\$ 5,975,313
Buildings and Improvements	4,672,685			4,672,685
Vehicles	1,726,532	209,985		1,936,517
Equipment	1,253,575	56,466		1,310,041
Construction in Progress	1,372,788			1,372,788
Infrastructure	5,294,707	14,149		5,308,856
 Total Capital Assets	 <u>\$ 20,295,600</u>	 <u>\$ 280,600</u>	 <u>\$ 0</u>	 <u>\$ 20,576,200</u>

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

June 30, 2020

Note 1. Capital Assets

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

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Equipment	\$ 5,000	5-15
Vehicles	\$ 5,000	3-25
Infrastructure	\$ 20,000	2-40

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Ryan Morris, Gallatin County Judge/Executive
Members of the Gallatin County Fiscal Court

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

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Gallatin County Fiscal Court for the fiscal year ended June 30, 2020, and the related notes to the financial statement which collectively comprise the Gallatin County Fiscal Court's financial statement and have issued our report thereon dated September 17, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Gallatin 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 Gallatin County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Gallatin 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 Questioned Costs, we identified a certain deficiency in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001 to be a material weakness.



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

Internal Control Over Financial Reporting (Continued)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2020-002 to be a significant deficiency.

Compliance And Other Matters

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

Views of Responsible Official and Planned Corrective Action

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

Purpose of this Report

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

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

September 17, 2021

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH UNIFORM GUIDANCE**

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Ryan Morris, Gallatin County Judge/Executive
Members of the Gallatin County Fiscal Court

Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With Uniform Guidance

Independent Auditor's Report

Report on Compliance for Each Major Federal Program

We have audited the Gallatin County Fiscal Court's compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Gallatin County Fiscal Court's major federal programs for the year ended June 30, 2020. The Gallatin County Fiscal Court's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Gallatin County Fiscal Court's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Gallatin County Fiscal Court's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Gallatin County Fiscal Court's compliance.



Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With Uniform Guidance
(Continued)

Opinion on Each Major Federal Program

In our opinion, the Gallatin County Fiscal Court complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of the Gallatin County Fiscal Court is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Gallatin County Fiscal Court's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Gallatin County Fiscal Court's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

September 17, 2021

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

For The Year Ended June 30, 2020

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

For The Year Ended June 30, 2020

Section I: Summary of Auditor's Results

Financial Statement

Type of report auditor issued: Adverse on GAAP and Unmodified on Regulatory Basis

Internal control over financial reporting:

Are any material weaknesses identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are any significant deficiencies identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None Reported
Are any noncompliances material to financial statements noted?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Federal Awards

Internal control over major programs:

Are any material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are any significant deficiencies identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Type of auditor's report issued on compliance for major federal programs: Unmodified		
Are any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program

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

GALLATIN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2020
(Continued)

Section II: Financial Statement Findings

2020-001 The Gallatin County Fiscal Court Did Not Record a State Grant Related to Airport Board Debt

The Gallatin County Fiscal Court was awarded a state grant for the debt service payments for the Gallatin County Airport. The county did not record this state grant on their ledgers. The fiscal court was under the impression that since the payments were made directly that they didn't have to record the transactions associated with the debt owed by the airport board. The bond related to the airport board was considered conduit debt. As a result of not recording the transactions related to the grant, the receipts and disbursements ledgers were understated by \$609,069.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* requires all funds to be recorded in receipts and appropriation ledgers. It may be necessary to amend the budget to reflect the receipt and expenditure of funds received if the item was not part of the original budget.

We recommend the fiscal court record transactions related to the state grant regardless if the fiscal court receives the money directly.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Airport grant numbers will be stated. Airport Grant is federal and state monies that pass through County Budget.

2020-002 The Gallatin County Fiscal Court Did Not Record The Purchase Of Ambulance And Equipment

The Gallatin County Fiscal Court did not amended their budget for lease proceeds for use on an ambulance and equipment. Proceeds in the amount of \$123,000 were paid directly to vendor and were not included on the county's financial statements. The audited financial statement and the ambulance fund budgetary comparison schedule were adjusted to record the financing and purchase. According to the county, this was due to a lack of understanding on how to record the amount on the receipts and disbursements ledgers. By not recording these items, after adjustments, the fiscal court exceeded the budgeted appropriations for the "protection to persons and property" line item by \$114,138.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* states in part, "all borrowed money received and repaid must be reflected in the county budget."

We recommend the fiscal court budget and record all debt proceeds and their related purchase.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: This is has been added has a liability.

**GALLATIN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2020
(Continued)**

Section III: Federal Award Findings And Questioned Costs

None.

Section IV: Summary Schedule of Prior Audit Findings

Finding Number	Prior Year Finding Title	Status	Corrective Action
2019-001	The Gallatin County Fiscal Court's Expenditures Exceeded Appropriation Amounts	Resolved	
2019-002	The Gallatin County Fiscal Court Did Not Record Activity Related to New Debt Issuances	Resolved	
2019-003	The Gallatin County Fiscal Court Did Not Maintain Complete and Accurate Capital Asset Schedules In Order To Comply With Regulatory Requirements	Resolved	

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

GALLATIN COUNTY FISCAL COURT

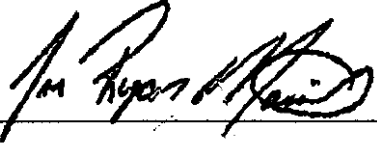
For The Year Ended June 30, 2020

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CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
GALLATIN COUNTY FISCAL COURT

For The Year Ended June 30, 2020

The Gallatin 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.



County Judge/Executive



County Treasurer