

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

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



**MIKE HARMON
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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

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

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Grayson County Fiscal Court, for the year ended June 30, 2021, and the related notes to the financial statement, which collectively comprise the Grayson County Fiscal Court's financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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



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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Grayson County Fiscal Court as of June 30, 2021, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

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

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Grayson County Fiscal Court. The Budgetary Comparison Schedules (supplementary information) and Schedule of Capital Assets (other information) are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

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

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

To the People of Kentucky
The Honorable Andy Beshear, Governor
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Members of the Grayson County Fiscal Court

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2022, on our consideration of the Grayson County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Grayson County Fiscal Court's internal control over financial reporting and compliance.

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

- 2021-001 The Grayson County Jail Lacks Adequate Controls Over Their Bid Process And Was Not In Compliance With Bid Laws
- 2021-002 Debt Balances Do Not Agree To The Long-Term Liabilities On The Fourth Quarter Report
- 2021-003 The Grayson County Fiscal Court Did Not Properly Budget and Account For All Debt Activity

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

January 28, 2022

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

Kevin Henderson	County Judge/Executive
Tommy Higdon	Magistrate
Damon Hornback	Magistrate
Neal Saltsman	Magistrate
Darin Whitley	Magistrate
Brian Ashley	Magistrate
Kevin Fulkerson	Magistrate

Other Elected Officials:

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

Appointed Personnel:

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

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

For The Year Ended June 30, 2021

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

For The Year Ended June 30, 2021

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 2,042,023	\$ 863,635	\$
In Lieu Tax Payments	28,726		
Excess Fees	493,440		
Licenses and Permits	18,495		
Intergovernmental	1,924,779	1,986,865	10,184,225
Charges for Services			93,398
Miscellaneous	84,285	16,056	649,134
Interest	329	466	2,605
Total Receipts	<u>4,592,077</u>	<u>2,867,022</u>	<u>10,929,362</u>
DISBURSEMENTS			
General Government	1,581,028		
Protection to Persons and Property	49,762		7,603,218
General Health and Sanitation	92,121		
Social Services			
Recreation and Culture	72,487		
Roads		2,265,562	
Airports			
Bus Services			
Debt Service	22,348	143,849	
Capital Projects	150,000	227,770	622,505
Administration	1,693,378	321,512	3,066,784
Total Disbursements	<u>3,661,124</u>	<u>2,958,693</u>	<u>11,292,507</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>930,953</u>	<u>(91,671)</u>	<u>(363,145)</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds		2,671	1,060,852
Transfers To Other Funds	(694,701)		(1,056,550)
Borrowed Money			
Governmental Leasing Act Receipts			
Total Other Adjustments to Cash (Uses)	<u>(694,701)</u>	<u>2,671</u>	<u>4,302</u>
Net Change in Fund Balance	236,252	(89,000)	(358,843)
Fund Balance - Beginning (Restated)	<u>583,893</u>	<u>719,949</u>	<u>1,420,368</u>
Fund Balance - Ending	<u>\$ 820,145</u>	<u>\$ 630,949</u>	<u>\$ 1,061,525</u>
Composition of Fund Balance			
Bank Balance	\$ 869,033	\$ 628,796	\$ 1,121,971
Plus: Deposits In Transit	1,947	2,380	
Less: Outstanding Checks	(50,835)	(227)	(310,446)
Certificates of Deposit			250,000
Fund Balance - Ending	<u>\$ 820,145</u>	<u>\$ 630,949</u>	<u>\$ 1,061,525</u>

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

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

Budgeted Funds				Unbudgeted Funds		
Local Government Economic Assistance Fund	Bond Fund	Emergency Health & 911 Fund	E-911 Fund	Justice Center Public Properties Corporation Fund	Jail Commissary Fund	Total Funds
\$	\$	\$	\$ 454,426	\$	\$	\$ 3,360,084
						28,726
						493,440
						18,495
209,399				918,938		15,224,206
			80,000			173,398
390		1,812,787	249		1,737,139	4,300,040
53	2,281	267	32	1		6,034
<u>209,842</u>	<u>2,281</u>	<u>1,813,054</u>	<u>534,707</u>	<u>918,939</u>	<u>1,737,139</u>	<u>23,604,423</u>
27,644						1,608,672
29,179			755,268			8,437,427
24,149		283,598				399,868
15,267						15,267
31,079					2,116,018	2,219,584
						2,265,562
14,000						14,000
9,920						9,920
49,504	976,500	561,843	20,399	917,438		2,691,881
	5,760,295					6,760,570
600			215,840	1,500		5,299,614
<u>201,342</u>	<u>6,736,795</u>	<u>845,441</u>	<u>991,507</u>	<u>918,938</u>	<u>2,116,018</u>	<u>29,722,365</u>
8,500	(6,734,514)	967,613	(456,800)	1	(378,879)	(6,117,942)
43,654	976,550		354,037			2,437,764
(40,000)	(646,513)					(2,437,764)
		283,598				283,598
			186,039			186,039
<u>3,654</u>	<u>330,037</u>	<u>283,598</u>	<u>540,076</u>			<u>469,637</u>
12,154	(6,404,477)	1,251,211	83,276	1	(378,879)	(5,648,305)
57,725	6,487,554		733	4,260	585,989	9,860,471
<u>\$ 69,879</u>	<u>\$ 83,077</u>	<u>\$ 1,251,211</u>	<u>\$ 84,009</u>	<u>\$ 4,261</u>	<u>\$ 207,110</u>	<u>\$ 4,212,166</u>
\$ 72,504	\$ 1,702	\$ 1,251,211	\$ 88,834	\$ 4,261	\$ 215,822	\$ 4,254,134
	81,375					85,702
(2,625)			(4,825)		(8,712)	(377,670)
						250,000
<u>\$ 69,879</u>	<u>\$ 83,077</u>	<u>\$ 1,251,211</u>	<u>\$ 84,009</u>	<u>\$ 4,261</u>	<u>\$ 207,110</u>	<u>\$ 4,212,166</u>

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

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TO THE FINANCIAL STATEMENT**

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GRAYSON COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2021

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The Grayson County Tourism Commission would have been included in the reporting entity under accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. However, under the regulatory basis, they are no longer are required components of the reporting entity. A copy of the audit can be obtained from the Grayson County Fiscal Court 130 East Market Street, Leitchfield, Kentucky 42754.

B. Basis of Accounting

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

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

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal governments, payments from other counties for housing prisoners, and transfers from the general fund. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

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

Bond Fund - The primary purpose of this fund is to account for bond receipts and related disbursements. The primary source of receipts for this fund is interest.

Emergency Health & 911 Fund - The primary purpose of this fund is to account for 911 and ambulance service disbursements. The primary sources of receipts for these fund are donations from the Grayson County Hospital District.

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

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

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

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

D. Budgetary Information

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information (Continued)

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

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

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

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

E. Grayson County Elected Officials

Kentucky law provides for election of the officials listed below from the geographic area constituting Grayson County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of the Grayson County Fiscal Court.

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

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).

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

Note 1. Summary of Significant Accounting Policies (Continued)

G. Long-term Obligations

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

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, 2021, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Transfers

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

	General Fund	Jail Fund	LGEA Fund	Bond Fund	Total Transfers In
Road Fund	\$ 2,671	\$	\$	\$	\$ 2,671
Jail Fund	414,339			646,513	1,060,852
LGEA Fund	43,654				43,654
Bond Fund		976,550			976,550
E-911 Fund	234,037	80,000	40,000		354,037
Total Transfers Out	<u>\$ 694,701</u>	<u>\$ 1,056,550</u>	<u>\$ 40,000</u>	<u>\$ 646,513</u>	<u>\$ 2,437,764</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.

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

Note 4. Custodial Funds

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

The fiscal court has the following custodial fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2021 was \$312,782.

Note 5. Long-term Debt

A. Direct Borrowings and Direct Placements

1. Financing Obligation - Road Grader

On May 4, 2006, Grayson County entered into an agreement with Kentucky Association of Counties Leasing Trust in the amount of \$140,167 at a variable rate of interest for a period of 15 years. The funds were used for the purchase of a road grader. The note is secured by, but not limited to, the property purchased. In the event of a default, the property purchased will be repossessed by the financial institution. At June 30, 2021, the principal outstanding was \$0.

2. Financing Obligation - Skate Park

On November 19, 2006, Grayson County entered into an agreement with Kentucky Association of Counties Leasing Trust in the amount of \$50,000 at a variable rate of interest for a period of 15 years. The funds were used to fund the skate park. No security collateral is held for this agreement; however, in the case of default the remaining amount becomes payable. At June 30, 2021, the principal outstanding was \$0.

3. Financing Obligation - Tractor/Mower

On April 6, 2017, Grayson County entered into an agreement with Kentucky Association of Counties Leasing Trust in the amount of \$129,997 at 3.431 percent interest for a period of seven years. The funds were used to finance the purchase of a tractor with mower for the road department. The property purchased is held as security for this obligation in the case of default. In the event of a default, the property purchased will be repossessed by the financial institution. At June 30, 2021, the principal outstanding was \$36,458. Future principal and interest requirements are:

Fiscal Year Ending	Scheduled	
June 30	Principal	Interest
2022	\$ 19,668	\$ 943
2023	16,790	265
Totals	<u>\$ 36,458</u>	<u>\$ 1,208</u>

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

Note 5. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

4. Financing Obligation - Ambulances

On April 17, 2018, Grayson County entered into an agreement with Lease One Magnolia in the amount of \$251,152 at 3.20 percent interest for the period of five years. The funds were used to finance the purchase of two ambulances for Emergency Management Service, Incorporated. The property purchased is held as security for this obligation. In the event of a default, the property purchased will be repossessed in addition to legal fees and other costs and expense incurred due to default. At June 30, 2021, the outstanding principal was \$0.

5. Financing Obligation - Tractors and Backhoe

On July 24, 2018, Grayson County entered into an agreement with Kentucky Association of Counties Leasing Trust in the amount of \$204,755 at 4.07 percent interest for the period of five years. The funds were used to finance the purchase of two tractors and a backhoe for the road department. The agreement is secured by, but not limited to, the property purchased. In the event of a default, the property purchased will be repossessed by the financial institution. At June 30, 2021, the principal outstanding was \$94,257. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 42,473	\$ 3,125
2023	44,235	1,320
2024	7,549	39
Totals	<u>\$ 94,257</u>	<u>\$ 4,484</u>

6. Financing Obligation - Dump Trucks

On September 19, 2019, Grayson County entered into an agreement with Kentucky Association of Counties Leasing Trust in the amount of \$262,750 at 3.55 percent interest for the period of seven years. The funds were used to finance the purchase of two dump trucks. The agreement is secured but not limited to the property purchased. In the event of a default, the property purchased will be repossessed by the financial institution. At June 30, 2021, the principal outstanding was \$206,089. Future principals and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 36,055	\$ 6,733
2023	37,207	5,434
2024	38,396	4,094
2025	39,623	2,711
2026	40,890	1,285
2027	13,918	103
Totals	<u>\$ 206,089</u>	<u>\$ 20,360</u>

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

Note 5. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

7. Financing Obligation - Judicial Center Property

On December 10, 2004, Grayson County entered into a long-term lease agreement with Kentucky Association of Counties Leasing Trust in the amount of \$300,000 at a variable rate of interest for a period of 25 years. The financing obligation was for funding the purchase of the property for the Judicial Center. No security collateral is held for this agreement. However, in the case of default the remaining amount payable becomes due immediately. At June 30, 2021, the principal outstanding was \$145,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 15,000	\$ 6,604
2023	15,000	5,857
2024	15,000	5,120
2025	15,000	4,373
2026	15,000	3,631
2027-2030	70,000	6,295
Totals	<u>\$ 145,000</u>	<u>\$ 31,880</u>

8. Financing Obligation - Patcher

On June 28, 2013, Grayson County entered into an agreement with Kentucky Association of Counties Leasing Trust in the amount of \$69,200 at 2.69 percent interest for a period of ten years. The funds were used to finance the purchase of a patcher for the Road Department. The property purchased is held as security for this obligation in the case of default. In the event of a default the property purchased will be repossessed by the financial institution. At June 30, 2021, the principal outstanding was \$0.

9. Financing Obligation - 911 Equipment

On July 21, 2020, Grayson County entered into an agreement with Kentucky Association of Counties Leasing Trust in the amount of \$186,039 at 3.36 percent interest for a period of five years. The funds were used to finance the purchase the acquisition of 911 equipment. The equipment purchased is held as security for this obligation in the case of default. In the event of a default the equipment purchased will be repossessed by the financial institution. At June 30, 2021, the principal outstanding was \$0.

10. Financing Obligation - Ambulances

On September 25, 2020, Grayson County entered into an agreement with Lease One Magnolia in the amount of \$283,598 at 2.92 percent interest for the period of five years. The funds were used to finance the purchase of two ambulances for Emergency Management Service, Incorporated. The property purchased is held as security for this obligation. In the event of a default the property purchased will be repossessed in addition to legal fees and other costs and expense incurred due to default. At June 30, 2021, the outstanding principal was \$0.

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

Note 5. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

11. Promissory Note - Land

On March 4, 2020, Grayson County entered into an agreement with individuals to acquire land in the amount of \$350,000. The purchase agreement required that \$100,000 be paid at the time of purchase and the remaining \$250,000 be paid in three additional installments. This agreement was secured in the form of a promissory note in the amount of \$350,000 with no interest being assessed with the final payment being due on February 28, 2023. The note is secured by the individuals having rights to possess the property until the note is fulfilled. In the event of default, the right of possession and operating is granted unless the note is fulfilled. At June 30, 2021, the principal outstanding was \$150,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 100,000	\$
2023	50,000	_____
Totals	<u>\$ 150,000</u>	<u>\$ 0</u>

12. Property

On June 28, 2021, Grayson County entered into an agreement with City of Leitchfield, Kentucky in the amount of \$200,000 at 3.50 percent interest for a period of two years. The funds were used to finance the purchase the acquisition of property. After 60 days of non- payments, the City of Leitchfield shall promptly file foreclosure proceedings. The land purchased is held as security for this obligation in the case of default. At June 30, 2021, the principal outstanding was \$200,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 100,000	\$ 7,000
2023	100,000	3,500
Totals	<u>\$ 200,000</u>	<u>\$ 10,500</u>

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

Note 5. Long-term Debt (Continued)

B. Other Debt

1. General Obligation Bonds, Series 2019 - Detention Center

The Grayson County Fiscal Court issued the 2019 series general obligation bonds, for the purpose of refinancing the 2006 general obligation improvement series bonds. On August 7, 2019, \$17,000,000 general obligation bonds were issued. Interest is payable on June 1 and December 1 of each year with a 3.00 percent interest rate. The maturity date of the bonds is June 1, 2044. The bonds are secured by a foreclosable first mortgage lien on the project. In the event of default, the mortgage will be enforced. As of June 30, 2021, bonds outstanding were \$16,070,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Interest
2022	\$ 495,000	\$ 482,100
2023	510,000	467,250
2024	525,000	451,950
2025	540,000	436,200
2026	560,000	420,000
2027-2031	3,045,000	1,838,550
2032-2036	3,530,000	1,353,750
2037-2041	4,100,000	791,250
2042-2044	2,765,000	167,550
Total	<u>\$ 16,070,000</u>	<u>\$ 6,408,600</u>

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

On April 11, 2015, the Grayson County Public Properties Corporation, an agency and instrumentality of the Grayson County Fiscal Court, issued lease revenue refunding bonds, series 2015, dated April 7, 2015, for the purpose of refinancing the lease revenue bonds, series 2007 issue. On April 7, 2015, \$8,140,000 of lease revenue refunding bonds was issued. Interest is payable semi-annually on September 1 and March 1 of each year. The maturity date of the lease revenue refunding bonds is September 20, 2027. Upon the happening and continuance of any event of default as defined in the bond, a suit may be filed or bond may be declared due and payable. The corporation entered into an annually renewable memorandum of understanding with the Administrative Office of The Courts (AOC), Commonwealth of Kentucky, for rental payments sufficient of pay 100 percent of the debt service on the bonds. As of June 30, 2021, bonds outstanding were \$5,870,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Interest
2022	\$ 790,000	\$ 126,788
2023	795,000	110,938
2024	820,000	93,763
2025	835,000	75,144
2026	855,000	55,063
2027-2028	1,775,000	44,687
Total	<u>\$ 5,870,000</u>	<u>\$ 506,383</u>

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

Note 5. Long-term Debt (Continued)

C. Changes In Long-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 1,029,364	\$ 719,637	\$ (917,197)	\$ 831,804	\$ 313,196
Other Debt	23,195,000		(1,255,000)	21,940,000	1,285,000
Total Long-term Debt	<u>\$ 24,224,364</u>	<u>\$ 719,637</u>	<u>\$ (2,172,197)</u>	<u>\$22,771,804</u>	<u>\$ 1,598,196</u>

D. Aggregate Debt Schedule

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

Fiscal Year Ended June 30	Other Debt		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2022	\$ 1,285,000	\$ 608,888	\$ 313,196	\$ 24,405
2023	1,305,000	578,188	263,232	16,376
2024	1,345,000	545,713	60,945	9,253
2025	1,375,000	511,344	54,623	7,084
2026	1,415,000	475,063	55,890	4,916
2027-2031	4,820,000	1,883,237	83,918	6,398
2032-2036	3,530,000	1,353,750		
2037-2041	4,100,000	791,250		
2042-2044	2,765,000	167,550		
Totals	<u>\$ 21,940,000</u>	<u>\$ 6,914,983</u>	<u>\$ 831,804</u>	<u>\$ 68,432</u>

Note 6. Commitments and Contingencies

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

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

Note 7. Employee Retirement System

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Effective April 1, 2021, the Kentucky Retirement Systems as an agency of the Commonwealth is now known as the Kentucky Public Pensions Authority (KPPA). The governance of CERS has been transferred to a separate 9-member board of trustees that is responsible for the governance of the CERS pension and insurance plans.

The county's contribution for FY 2019 was \$1,715,646, FY 2020 was \$1,816,605, and FY 2021 was \$1,945,020.

Nonhazardous

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

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

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

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

Hazardous

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

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

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

Note 7. Employee Retirement System (Continued)

Hazardous (Continued)

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

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

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

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

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

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

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

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

Note 7. Employee Retirement System (Continued)

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

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

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

D. Cost of Living Adjustments - Tier 1

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

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

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

F. Death Benefit

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

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

Note 7. Employee Retirement System (Continued)

KRS Annual Financial Report and Proportionate Share Audit Report

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

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

Note 8. Deferred Compensation

The Grayson County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees, and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority at 501 High Street, 2nd Floor, Frankfort, KY 40601, or by telephone at (502) 573-7925.

Note 9. Insurance

For the fiscal year ended June 30, 2021, the Grayson County Fiscal Court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 10. Related Party Transactions

During the year ended June 30, 2021, the fiscal court paid \$14,181 to a company owned by the county jailer's sister-in-law for uniforms. The fiscal court paid \$2,040 to a company owned by the jailer's brother for upholstery work. The fiscal court paid \$1,471 to a company owned by the jail finance officer's daughter for miscellaneous supplies.

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

Note 11. Conduit Debt

From time to time, the county has issued bonds to provide financial assistance to various agencies for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest, in accordance with KRS 103.210. This debt may take the form of certain types of limited-obligation revenue bonds, certificates of participation, or similar debt instruments. Although conduit debt obligations bear the Grayson County Fiscal Court's name as issuer, the fiscal court has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf it is issued. Neither the fiscal court nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statement. As of June 30, 2021, conduit debt has been issued but the amount currently outstanding is not reasonably determinable.

Note 12. Prior Period Adjustments

Prior Year Ending Fund Balance	\$ 9,797,179
Adjustments:	
General Fund - Prior Year Voided Checks	137
Jail Commissary - CARES Funds	<u>63,155</u>
Beginning Fund Balance Restated	<u>\$ 9,860,471</u>

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GRAYSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2021

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GRAYSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2021

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,876,000	\$ 1,876,000	\$ 2,042,023	\$ 166,023
In Lieu Tax Payments	27,700	27,700	28,726	1,026
Excess Fees	283,565	493,440	493,440	
Licenses and Permits	17,800	17,800	18,495	695
Intergovernmental	586,380	1,790,869	1,924,779	133,910
Miscellaneous	123,500	123,500	84,285	(39,215)
Interest	250	250	329	79
Total Receipts	<u>2,915,195</u>	<u>4,329,559</u>	<u>4,592,077</u>	<u>262,518</u>
DISBURSEMENTS				
General Government	1,411,545	1,946,924	1,581,028	365,896
Protection to Persons and Property	55,500	55,500	49,762	5,738
General Health and Sanitation	88,794	92,376	92,121	255
Recreation and Culture	87,000	87,000	72,487	14,513
Debt Service	22,348	22,348	22,348	
Capital Projects	20,000	150,000	150,000	
Administration	1,900,361	1,792,549	1,693,378	99,171
Total Disbursements	<u>3,585,548</u>	<u>4,146,697</u>	<u>3,661,124</u>	<u>485,573</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(670,353)</u>	<u>182,862</u>	<u>930,953</u>	<u>748,091</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	80,353	80,353		(80,353)
Transfers To Other Funds	(60,000)	(691,801)	(694,701)	(2,900)
Total Other Adjustments to Cash (Uses)	<u>20,353</u>	<u>(611,448)</u>	<u>(694,701)</u>	<u>(83,253)</u>
Net Change in Fund Balance	(650,000)	(428,586)	236,252	664,838
Fund Balance - Beginning (Restated)	<u>650,000</u>	<u>583,756</u>	<u>583,893</u>	<u>137</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 155,170</u>	<u>\$ 820,145</u>	<u>\$ 664,975</u>

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

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 725,000	\$ 725,000	\$ 863,635	\$ 138,635
Intergovernmental	1,886,816	1,946,110	1,986,865	40,755
Miscellaneous	57,500	57,500	16,056	(41,444)
Interest	350	350	466	116
Total Receipts	<u>2,669,666</u>	<u>2,728,960</u>	<u>2,867,022</u>	<u>138,062</u>
DISBURSEMENTS				
General Government	2,000	2,000		2,000
Roads	2,623,301	2,775,801	2,265,562	510,239
Debt Service	129,559	143,975	143,849	126
Capital Projects		228,000	227,770	230
Administration	459,453	373,951	321,512	52,439
Total Disbursements	<u>3,214,313</u>	<u>3,523,727</u>	<u>2,958,693</u>	<u>565,034</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(544,647)</u>	<u>(794,767)</u>	<u>(91,671)</u>	<u>703,096</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			2,671	2,671
Transfers To Other Funds	<u>(80,353)</u>	<u>(80,353)</u>		<u>80,353</u>
Total Other Adjustments to Cash (Uses)	<u>(80,353)</u>	<u>(80,353)</u>	<u>2,671</u>	<u>83,024</u>
Net Change in Fund Balance	(625,000)	(875,120)	(89,000)	786,120
Fund Balance - Beginning	<u>625,000</u>	<u>719,950</u>	<u>719,949</u>	<u>(1)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (155,170)</u>	<u>\$ 630,949</u>	<u>\$ 786,119</u>

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

	JAIL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 11,647,400	\$ 11,647,400	\$ 10,184,225	\$ (1,463,175)
Charges for Services	77,000	77,000	93,398	16,398
Miscellaneous	452,800	1,123,753	649,134	(474,619)
Interest	7,000	7,000	2,605	(4,395)
Total Receipts	<u>12,184,200</u>	<u>12,855,153</u>	<u>10,929,362</u>	<u>(1,925,791)</u>
DISBURSEMENTS				
Protection to Persons and Property	7,922,844	8,225,104	7,603,218	621,886
Debt Service	976,550			
Capital Projects		623,000	622,505	495
Administration	4,729,402	4,889,434	3,066,784	1,822,650
Total Disbursements	<u>13,628,796</u>	<u>13,737,538</u>	<u>11,292,507</u>	<u>2,445,031</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,444,596)</u>	<u>(882,385)</u>	<u>(363,145)</u>	<u>519,240</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds		414,339	1,060,852	646,513
Transfers To Other Funds	<u>(60,000)</u>	<u>(1,036,550)</u>	<u>(1,056,550)</u>	<u>(20,000)</u>
Total Other Adjustments to Cash (Uses)	<u>(60,000)</u>	<u>(622,211)</u>	<u>4,302</u>	<u>626,513</u>
Net Change in Fund Balance	(1,504,596)	(1,504,596)	(358,843)	1,145,753
Fund Balance - Beginning	<u>1,504,596</u>	<u>1,504,596</u>	<u>1,420,368</u>	<u>(84,228)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,061,525</u>	<u>\$ 1,061,525</u>

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

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 163,000	\$ 189,890	\$ 209,399	\$ 19,509
Miscellaneous	500	500	390	(110)
Interest	40	40	53	13
Total Receipts	<u>163,540</u>	<u>190,430</u>	<u>209,842</u>	<u>19,412</u>
DISBURSEMENTS				
General Government	19,300	31,800	27,644	4,156
Protection to Persons and Property	28,216	32,216	29,179	3,037
General Health and Sanitation	31,000	31,000	24,149	6,851
Social Services	17,000	18,000	15,267	2,733
Recreation and Culture	20,000	35,000	31,079	3,921
Airports	7,000	14,000	14,000	
Bus Services	13,000	13,000	9,920	3,080
Debt Service	59,684	49,504	49,504	
Administration	23,340	27,060	600	26,460
Total Disbursements	<u>218,540</u>	<u>251,580</u>	<u>201,342</u>	<u>50,238</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(55,000)</u>	<u>(61,150)</u>	<u>8,500</u>	<u>69,650</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds		43,425	43,654	229
Transfer To Other Funds		<u>(40,000)</u>	<u>(40,000)</u>	
Total Other Adjustments to Cash (Uses)		<u>3,425</u>	<u>3,654</u>	<u>229</u>
Net Change in Fund Balance	(55,000)	(57,725)	12,154	69,879
Fund Balance - Beginning	<u>55,000</u>	<u>57,725</u>	<u>57,725</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 69,879</u>	<u>\$ 69,879</u>

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

	BOND FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$	2,289	\$ 2,281	\$ (8)
Total Receipts		2,289	2,281	(8)
DISBURSEMENTS				
Debt Service		1,057,925	976,500	81,425
Capital Projects		6,406,808	5,760,295	646,513
Administration		1,660		1,660
Total Disbursements		7,466,393	6,736,795	729,598
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(7,464,104)	(6,734,514)	729,590
Other Adjustments to Cash (Uses)				
Transfers From Other Funds		976,550	976,550	
Transfers To Other Funds			(646,513)	(646,513)
Total Other Adjustments to Cash (Uses)		976,550	330,037	(646,513)
Net Change in Fund Balance		(6,487,554)	(6,404,477)	83,077
Fund Balance - Beginning		6,487,554	6,487,554	
Fund Balance - Ending	\$	0	\$ 83,077	\$ 83,077

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

EMERGENCY HEALTH & 911 FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$	\$ 1,812,787	\$ 1,812,787	\$
Interest			267	267
Total Receipts		1,812,787	1,813,054	267
DISBURSEMENTS				
General Health and Sanitation			283,598	(283,598)
Debt Service		561,843	561,843	
Administration		1,250,944		1,250,944
Total Disbursements		1,812,787	845,441	967,346
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			967,613	967,613
Other Adjustments to Cash (Uses)				
Borrowed Money			283,598	283,598
Total Other Adjustments to Cash (Uses)			283,598	283,598
Net Change in Fund Balance			1,251,211	1,251,211
Fund Balance - Beginning				
Fund Balance - Ending	\$	0	\$ 1,251,211	\$ 1,251,211

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

	E-911 FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 458,000	\$ 458,000	\$ 454,426	\$ (3,574)
Charges for Services	60,000	60,000	80,000	20,000
Miscellaneous	500	500	249	(251)
Interest	15	15	32	17
Total Receipts	<u>518,515</u>	<u>518,515</u>	<u>534,707</u>	<u>16,192</u>
DISBURSEMENTS				
General Government				
Protection to Persons and Property	442,115	800,216	755,268	44,948
Debt Service		20,399	20,399	
Administration	214,400	218,709	215,840	2,869
Total Disbursements	<u>656,515</u>	<u>1,039,324</u>	<u>991,507</u>	<u>47,817</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(138,000)</u>	<u>(520,809)</u>	<u>(456,800)</u>	<u>64,009</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	120,000	334,037	354,037	20,000
Governmental Leasing Act Receipts		186,039	186,039	
Total Other Adjustments to Cash (Uses)	<u>120,000</u>	<u>520,076</u>	<u>540,076</u>	<u>20,000</u>
Net Change in Fund Balance	(18,000)	(733)	83,276	84,009
Fund Balance - Beginning	<u>18,000</u>	<u>733</u>	<u>733</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 84,009</u>	<u>\$ 84,009</u>

GRAYSON COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2021

Note 1. Budgetary Information

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

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

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

Note 2. Excess of Disbursements Over Appropriations

The emergency health & 911 fund, general health and sanitation line item, exceeded budgeted appropriations by \$283,598.

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

For The Year Ended June 30, 2021

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GRAYSON COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2021

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance (Restated*)	Additions	Deletions	Ending Balance
Land	\$ 1,632,759	\$	\$	\$ 1,632,759
Construction in Progress	10,458,221		10,458,221	
Buildings and Land Improvements	25,100,153	18,320,233		43,420,386
Vehicles and Equipment*	4,758,000	939,539		5,697,539
Infrastructure	16,231,180	1,127,013		17,358,193
 Total Capital Assets	 <u>\$ 58,180,313</u>	 <u>\$ 20,386,785</u>	 <u>\$ 10,458,221</u>	 <u>\$ 68,108,877</u>

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

June 30, 2021

Note 1. Capital Assets

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

	<u>Capitalization Threshold</u>	<u>Useful Life (Years)</u>
Land	\$ 12,500	10-60
Buildings and Building Improvements	25,000	10-75
Equipment	15,000	3-25
Vehicles	12,500	3-25
Infrastructure	20,000	10-50

Note 2. Restatement of Capital Assets Beginning Balance

Vehicles and Equipment was restated \$30 due to errors and rounding in the prior year.

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

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

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

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Grayson County Fiscal Court for the fiscal year ended June 30, 2021, and the related notes to the financial statement which collectively comprise the Grayson County Fiscal Court's financial statement and have issued our report thereon dated January 28, 2022.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2021-001, 2021-002, and 2021-003 to be material weaknesses.



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

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Grayson County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2021-001, 2021-002, and 2021-003.

Views of Responsible Official and Planned Corrective Action

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

Purpose of this Report

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

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

January 28, 2022

**GRAYSON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2021

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GRAYSON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended June 30, 2021

FINANCIAL STATEMENT FINDINGS:

2021-001 The Grayson County Jail Lacks Adequate Controls Over Their Bid Process And Was Not In Compliance With Bid Laws

The Grayson County Jail did not properly bid out inmate food. The jail paid an invoice from a vendor in the amount of \$184,593 for inmate food. On the invoice there were charges for detergent, sodium hydroxide, and other nonperishable food items. According to the county jailer, KRS 424.260 says that perishable items are exempt from bid requirements.

Since bidding procedures were not followed, it is possible that the county jail did not get the lowest rate for inmate food. This also puts the county at higher risk for potential fraudulent purchases. Additionally, the jail is not in compliance with KRS 424.260.

Strong internal controls require management to monitor disbursements and purchase orders to ensure compliance with bid laws, and to keep good records of all bid transactions. KRS 424.260(1) states, “[e]xcept where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract, lease, or other agreement for materials, supplies except perishable meat, fish, and vegetables, equipment, or for contractual services other than professional, involving an expenditure of more than thirty thousand dollars (\$30,000) without first making newspaper advertisement for bids.” Also, according to the Grayson County Administration Code section 4.2 (C.) “When an expenditure exceeds \$30,000.00 in cost, the Judge/Executive and/or designee shall place an advertisement in the newspaper of largest circulation in the county at least once, not less than seven, nor more than twenty-one days, before bid opening.”

We recommend the Grayson County Jail monitor all disbursements to ensure that bidding procedures are followed for all qualifying disbursements. The fiscal court should also document these procedures in the fiscal court minutes.

Views of Responsible Official and Planned Corrective Action:

Jailer’s Response: It is the Jailer’s intent is to follow all laws and regulations. Moving forward, the Jailer will follow bid requirements.

2021-002 Debt Balances Do Not Agree To The Long-Term Liabilities On The Fourth Quarter Report

The Grayson County Fiscal Court’s liabilities schedule that was presented to the Department for Local Government (DLG) was materially misstated due to an error. The fiscal court did not report all debt of the county due to this error. Series 2015 Lease Revenue Refunding Bonds - Judicial Center were overstated by \$699,906.

According to the finance officer, she mistakenly subtracted the interest amount instead of the principal amount from the outstanding balance. By not accurately reporting debt, the county is not in compliance with KRS 68.210. In addition, because principal and interest was overstated, the county is not providing a complete overview of their debt.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Per the Department for Local Government’s (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*, all county money is to be reported on the financial statement whether it is included in the budget or not. Documentation of the county’s liabilities must be submitted to the state local finance officer. Also, good internal controls dictates proper recording of transactions and financial reporting.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2021-002 Debt Balances Do Not Agree To The Long-Term Liabilities On The Fourth Quarter Report (Continued)

We recommend the county ensure all debt has been disclosed and the balances are accurate when reporting the county's liabilities on the fourth quarter report submitted to DLG.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Finance officer will have someone to check debt schedule balances for accuracy.

2021-003 The Grayson County Fiscal Court Did Not Properly Budget and Account For All Debt Activity

The Grayson County Fiscal Court did not properly budget and account for a truck purchased in the amount of \$283,598. This caused the emergency health & 911 fund total budget and the budgeted line item, general health and sanitation, to be overspent by \$283,598.

The vendor was paid \$283,598 directly by KACo. The county treasurer failed to include the amount of the vehicle receipt and disbursement in the county's accounting ledgers. Receipts and disbursements on the fourth quarter financial statement for fiscal year ending June 30, 2021, were understated by \$283,598.

The Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* requires the fiscal court to properly budget and account for all expenditures of the fiscal court. The uniform system of accounts requires revenues to be recorded when received in total and expenditures to be recorded at actual cost when paid. All borrowed money received and repaid must be reflected in the county budget. Additionally, good internal controls dictate that all county financial activity be properly accounted for in the budget and on the financial statement.

We recommend the Grayson County Fiscal Court properly budget and account for all debt service payments, all borrowed money, and any related purchases.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Moving forward, we will try and have all lease proceed payments sent directly to us so the receipt and disbursement will be recorded in our accounting ledger. The \$283,598 debt activity was listed as a debt on our 6-30-21 long term liability schedule.

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

GRAYSON COUNTY FISCAL COURT

For The Year Ended June 30, 2021

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CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
COUNTY FISCAL COURT

For The Year Ended June 30, 2021

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



County Judge/Executive



County Treasurer