

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

**For The Year Ended
June 30, 2019**



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
GARRARD COUNTY OFFICIALS.....	4
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - REGULATORY BASIS.....	6
NOTES TO FINANCIAL STATEMENT.....	10
BUDGETARY COMPARISON SCHEDULES.....	37
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES.....	45
SCHEDULE OF CAPITAL ASSETS.....	49
NOTES TO OTHER INFORMATION - REGULATORY BASIS SCHEDULE OF CAPITAL ASSETS.....	50
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	53
SCHEDULE OF FINDINGS AND RESPONSES.....	57
APPENDIX A: CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	

THIS PAGE LEFT BLANK INTENTIONALLY



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 John Wilson, Garrard County Judge/Executive
Members of the Garrard 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 Garrard County Fiscal Court, for the year ended June 30, 2019, and the related notes to the financial statement which collectively comprise the Garrard 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
Finance and Administration Cabinet
The Honorable John Wilson, Garrard County Judge/Executive
Members of the Garrard 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 Garrard 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 Garrard County Fiscal Court as of June 30, 2019, 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 Garrard County Fiscal Court as of June 30, 2019, 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 Garrard County Fiscal Court. The Budgetary Comparison Schedules (supplementary information) and Schedule of Capital Assets (other information) are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2020, on our consideration of the Garrard 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 Garrard County Fiscal Court's internal control over financial reporting and compliance.

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

- 2019-001 The Garrard County Fiscal Court Did Not Maintain An Accurate Liability Schedule
- 2019-002 The Garrard County Fiscal Court Posted Revenue As Negative Disbursements

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

June 22, 2020

GARRARD COUNTY OFFICIALS**For The Year Ended June 30, 2019****Fiscal Court Members:**

John Wilson	County Judge/Executive
Joe Leavell	Magistrate
Betty Holtzclaw	Magistrate
Bill Warren	Magistrate
Bobby Preston	Magistrate
Vickie Feldman	Magistrate

Other Elected Officials:

Mark Metcalf	County Attorney
Kevin Middleton	Jailer
Kevin Montgomery	County Clerk
Dana Hensley	Circuit Court Clerk
Tim Davis	Sheriff
Kay Hall	Property Valuation Administrator
Shane Young	Coroner

Appointed Personnel:

Jennifer Seagraves	County Treasurer
James Bushnell	Financial Officer
Rita Hinds	Occupational Tax Collection

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

For The Year Ended June 30, 2019

GARRARD COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2019

	Budgeted Funds		
	General Fund	Road Fund	Local Government Economic Assistance Fund
RECEIPTS			
Taxes	\$ 3,059,362	\$ 10,000	\$
Excess Fees	165,795		
Licenses and Permits	36,043	2,654	
Intergovernmental	377,041	1,655,510	2,090
Charges for Services	903,138		
Miscellaneous	291,577	186,543	
Interest	173		
Total Receipts	<u>4,833,129</u>	<u>1,854,707</u>	<u>2,090</u>
DISBURSEMENTS			
General Government	1,234,051	16,397	
Protection to Persons and Property	2,163,724		4,163
General Health and Sanitation	80,506		
Social Services	22,000		
Recreation and Culture	40,076		
Roads		1,425,824	
Debt Service		117,922	
Capital Projects	113,714		
Administration	967,810	144,751	
Total Disbursements	<u>4,621,881</u>	<u>1,704,894</u>	<u>4,163</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>211,248</u>	<u>149,813</u>	<u>(2,073)</u>
Other Adjustments to Cash (Uses)			
Financing Obligation Proceeds		52,877	
Bond Proceeds			
Bond Proceeds To Sinking Fund			
Transfers From Other Funds	144,000		
Transfers To Other Funds	(115,000)	(131,000)	
Total Other Adjustments to Cash (Uses)	<u>29,000</u>	<u>(78,123)</u>	
Net Change in Fund Balance	240,248	71,690	(2,073)
Fund Balance - Beginning (Restated)	314,397	207,545	38,490
Fund Balance - Ending	<u>\$ 554,645</u>	<u>\$ 279,235</u>	<u>\$ 36,417</u>
Composition of Fund Balance			
Bank Balance	\$ 584,971	\$ 297,065	\$ 36,417
Plus: Deposits In Transit	5,663		
Less: Outstanding Checks	(35,989)	(17,830)	
Fund Balance - Ending	<u>\$ 554,645</u>	<u>\$ 279,235</u>	<u>\$ 36,417</u>

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

GARRARD COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2019
(Continued)

Budgeted Funds				
Solid Waste Fund	Debt Service Fund	House Bill 577 Fund	Veterans Memorial Fund	Chemical Stockpile Emergency Preparedness Program Fund
\$	\$ 187	\$	\$	\$
137,372		19,943		454,208
106,351				
150,481			1,395	25,490
7	1	1		1
<u>394,211</u>	<u>188</u>	<u>19,944</u>	<u>1,395</u>	<u>479,699</u>
		37,250		
279,352				554,994
			66,556	
100,000				
23,386				24,932
<u>402,738</u>		<u>37,250</u>	<u>66,556</u>	<u>579,926</u>
<u>(8,527)</u>	<u>188</u>	<u>(17,306)</u>	<u>(65,161)</u>	<u>(100,227)</u>
		13,000		102,000
		(13,000)		
				<u>102,000</u>
(8,527)	188	(17,306)	(65,161)	1,773
72,324	532	24,898	69,192	8,997
<u>\$ 63,797</u>	<u>\$ 720</u>	<u>\$ 7,592</u>	<u>\$ 4,031</u>	<u>\$ 10,770</u>
\$ 71,735	\$ 1,785	\$ 7,592	\$ 10,652	\$ 18,880
(7,938)	(1,065)		(6,621)	(8,110)
<u>\$ 63,797</u>	<u>\$ 720</u>	<u>\$ 7,592</u>	<u>\$ 4,031</u>	<u>\$ 10,770</u>

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

GARRARD COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2019
(Continued)

	<u>Unbudgeted Fund</u>	
	Public Improvement Corporation Fund	Total Funds
RECEIPTS		
Taxes	\$	\$ 3,069,549
Excess Fees		165,795
Licenses and Permits		38,697
Intergovernmental	856,623	3,502,787
Charges for Services		1,009,489
Miscellaneous		655,486
Interest		183
Total Receipts	<u>856,623</u>	<u>8,441,986</u>
DISBURSEMENTS		
General Government		1,287,698
Protection to Persons and Property		2,722,881
General Health and Sanitation		359,858
Social Services		22,000
Recreation and Culture		106,632
Roads		1,425,824
Debt Service	899,459	1,117,381
Capital Projects		113,714
Administration		1,160,879
Total Disbursements	<u>899,459</u>	<u>8,316,867</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(42,836)</u>	<u>125,119</u>
Other Adjustments to Cash (Uses)		
Financing Obligation Proceeds		52,877
Bond Proceeds	5,353,673	5,353,673
Bond Proceeds To Sinking Fund	(5,309,688)	(5,309,688)
Transfers From Other Funds		259,000
Transfers To Other Funds		(259,000)
Total Other Adjustments to Cash (Uses)	<u>43,985</u>	<u>96,862</u>
Net Change in Fund Balance	1,149	221,981
Fund Balance - Beginning (Restated)	<u>1,500</u>	<u>737,875</u>
Fund Balance - Ending	<u>\$ 2,649</u>	<u>\$ 959,856</u>
Composition of Fund Balance		
Bank Balance	\$ 2,649	\$ 1,031,746
Plus: Deposits In Transit		5,663
Less: Outstanding Checks		(77,553)
Fund Balance - Ending	<u>\$ 2,649</u>	<u>\$ 959,856</u>

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

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENT**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	10
NOTE 2.	DEPOSITS	13
NOTE 3.	TRANSFERS.....	13
NOTE 4.	LEASES	14
NOTE 5.	LONG-TERM DEBT	16
NOTE 6.	EMPLOYEE RETIREMENT SYSTEM	29
NOTE 7.	DEFERRED COMPENSATION.....	32
NOTE 8.	HEALTH REIMBURSEMENT ACCOUNT	32
NOTE 9.	INSURANCE.....	32
NOTE 10.	NOTE RECEIVABLE	32
NOTE 11.	ENDOWMENT FUNDS	32
NOTE 12.	PRIOR PERIOD ADJUSTMENTS	33

**GARRARD COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2019

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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.

GARRARD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

Solid Waste Fund - The primary purpose of this fund is to account for recycling and solid waste fee monies collected from businesses and individuals. The primary sources of receipts for this fund are local citizens and state grant funding.

Debt Service Fund - The primary purpose of this fund is to account for the accumulation of resources for, and the payment of general long-term debt principal and interest. The primary source of receipts for this fund is the county's Insurance Premium Tax.

House Bill 577 Fund - The primary purpose of this fund is to account for House Bill 577 receipts and disbursements. The primary source of receipts for this fund is state grants.

Veterans Memorial Fund - The primary purpose of this fund is to account for activities related to donations related to the Veterans Memorial Fund. The primary source of receipts for this fund is donations.

Chemical Stockpile Emergency Preparedness Program (CSEPP) Fund - The primary purpose of this fund is to account for emergency equipment and personnel expenses of the county. The primary sources of the receipts for this fund are federal and state grants.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

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

D. Budgetary Information

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

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

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

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

GARRARD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Garrard County Elected Officials

Kentucky law provides for election of the officials listed below from the geographic area constituting Garrard 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 Garrard 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. Related Obligations

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

Garrard County Extension Office
Garrard County Public Library

GARRARD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 2. Deposits

The fiscal court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC 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 KRS 66.480(1)(d) and KRS 41.240. As of June 30, 2019, 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 2019.

	General Fund	Road Fund	House Bill 577 Fund	Total Transfers In
General Fund	\$	\$ 131,000	\$ 13,000	\$ 144,000
House Bill 577 Fund	13,000			13,000
CSEPP Fund	102,000			102,000
Total Transfers Out	<u>\$ 115,000</u>	<u>\$ 131,000</u>	<u>\$ 13,000</u>	<u>\$ 259,000</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.

GARRARD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 4. Leases

A. Road Department Vehicles

On September 1, 2016, the Garrard County Fiscal Court entered into a lease agreement to lease four 2016 Ford F-350 and three 2016 Ford F-550 vehicles for use by the county. The vendor will, on or about the date of delivery of each vehicle to the county, include a schedule covering the vehicle, which will include a description of the vehicle, the lease term, and the monthly rental and other payments due with respect to the vehicle. The agreement is a lease with a buy option and the county will not have right, title, or interest in or to the vehicles except for the use of the vehicles as described in the agreement. The lease term commences on the delivery date of the vehicle and ends 60 months after the first full month rental payment date with an option to continue month-to-month for an unlimited period of time. This lease payment can change each year depending on additions and deletions of vehicles. During fiscal year 2019, the county had total lease payments of \$66,794 for this agreement. The annual lease payments required under the leasing agreement at June 30, 2019, are as follows:

Fiscal Year Ending June 30	Amount
2020	\$ 66,794
2021	66,794
2022	11,132
	<u>\$ 144,720</u>

B. County Police Department Vehicles

On July 1, 2017, the Garrard County Fiscal Court entered into a lease agreement to lease six police vehicles for use by the county. The vendor will, on or about the date of delivery of each vehicle to the county, include a schedule covering the vehicle, which will include a description of the vehicle, the lease term, and the monthly rental and other payments due with respect to the vehicle. The agreement is a lease with a buy option and the county will not have right, title, or interest in or to the vehicles except for the use of the vehicles as described in the agreement. The lease term commences on the delivery date of the vehicle and ends 60 months after the first full month rental payment date with an option to continue month-to-month for an unlimited period of time. This lease payment can change each year depending on additions and deletions of vehicles. During fiscal year 2019, the county had total lease payments of \$43,525 for this agreement. The annual lease payments required under the leasing agreement at June 30, 2019, are as follows:

Fiscal Year Ending June 30	Amount
2020	\$ 43,525
2021	43,525
2022	43,525
	<u>\$ 130,575</u>

GARRARD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 4. Leases (Continued)

C. Additional County Police Department Vehicles

On August 1, 2017, the Garrard County Fiscal Court entered into a lease agreement to lease 2 police vehicles for use by the county. The vendor will, on or about the date of delivery of each vehicle to the county, include a schedule covering the vehicle, which will include a description of the vehicle, the lease term, and the monthly rental and other payments due with respect to the vehicle. The agreement is a lease with a buy option and the county will not have right, title, or interest in or to the vehicles except for the use of the vehicles as described in the agreement. The lease term commences on the delivery date of the vehicle and ends 60 months after the first full month rental payment date with an option to continue month-to-month for an unlimited period of time. This lease payment can change each year depending on additions and deletions of vehicles. During fiscal year 2019, the county had total lease payments of \$15,873 for this agreement. The annual lease payments required under the leasing agreement at June 30, 2019, are as follows:

Fiscal Year Ending June 30	Amount
2020	\$ 15,873
2021	15,873
2022	15,873
2023	1,322
	\$ 48,941

D. Jailer's Vehicle

On December 1, 2017, the Garrard County Fiscal Court entered into a lease agreement to lease a vehicle for use by the county jailer. The vendor will, on or about the date of delivery of each vehicle to the county, include a schedule covering the vehicle, which will include a description of the vehicle, the lease term, and the monthly rental and other payments due with respect to the vehicle. The agreement is a lease with a buy option and the county will not have right, title, or interest in or to the vehicles except for the use of the vehicles as described in the agreement. The lease term commences on the delivery date of the vehicle and ends 60 months after the first full month rental payment date with an option to continue month-to-month for an unlimited period of time. This lease payment can change each year depending on additions and deletions of vehicles. During fiscal year 2019, the county had total lease payments of \$3,708 for this agreement. The annual lease payments required under the leasing agreement at June 30, 2019, are as follows:

Fiscal Year Ending June 30	Amount
2020	\$ 3,708
2021	3,708
2022	3,708
2023	1,545
	\$ 12,669

GARRARD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 5. Long-term Debt

A. Direct Borrowings

1. Zane Trace Road Project

On December 19, 2013, the Garrard County Fiscal Court entered into an unsecured fifteen-year lease agreement with Whitaker Bank to construct Zane Trace Road for \$43,618. Principal and interest payments are due each January 19. The annual interest rate is 4.750%. Per agreement, failure to make payment 10 days or more past due date will result in a late fee, 5% of regularly scheduled payment or \$50, whichever is less. Upon default on loan, the lender may declare the entire unpaid balance and all accrued interest due and the borrower will pay that amount. If the borrower does not pay, the lender may hire someone to assist in collection at the expense of the borrower. The principal balance of the lease as of June 30, 2019, was \$32,477. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2020	\$ 2,604	\$ 1,563
2021	2,725	1,442
2022	2,860	1,307
2023	2,998	1,169
2024	3,143	1,025
2025-2029	<u>18,147</u>	<u>2,689</u>
Totals	<u>\$ 32,477</u>	<u>\$ 9,195</u>

2. Red Gate Road Project

On October 29, 2014, the Garrard County Fiscal Court entered into an unsecured nine-year lease agreement with Whitaker Bank to construct Red Gate Road for \$19,840. Principal and interest payments are due each October 22. The annual interest rate is 3.9%. Per the agreement, failure to make payment 10 days or more past the due date will result in a late fee, 5% of regularly scheduled payment or \$50, whichever is less. Upon default on the loan, the lender may declare the entire unpaid balance and all accrued interest due and the borrower will pay that amount. If the borrower does not pay, the lender may hire someone to assist in collection at the expense of the borrower. The principal balance of the lease as of June 30, 2019, was \$12,811. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2020	\$ 1,943	\$ 498
2021	2,019	422
2022	2,097	344
2023	2,179	262
2024	2,264	177
2025	<u>2,309</u>	<u>131</u>
Totals	<u>\$ 12,811</u>	<u>\$ 1,834</u>

GARRARD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 5. Long-term Debt (Continued)

A. Direct Borrowings (Continued)

3. Pleasant Valley Road Project

On June 2, 2015, the Garrard County Fiscal Court entered into an unsecured ten-year lease agreement with Whitaker Bank to construct Pleasant Valley Road for \$7,207. Principal and interest payments are due each June 2. The annual interest rate is 3.45%. Per the agreement, failure to make payment 10 days or more past the due date will result in a late fee, 5% of regularly scheduled payment or \$50, whichever is less. Upon default on the loan, the lender may declare the entire unpaid balance and all accrued interest due and the borrower will pay that amount. If the borrower does not pay, the lender may hire someone to assist in collection at the expense of the borrower. The principal balance of the lease as of June 30, 2019, was \$4,732. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2020	\$ 677	\$ 163
2021	700	139
2022	725	115
2023	750	90
2024	775	64
2025	<u>1,105</u>	<u>52</u>
Totals	<u>\$ 4,732</u>	<u>\$ 623</u>

4. Colt's Run Project

On August 3, 2016, the Garrard County Fiscal Court entered into an unsecured ten-year lease agreement with Whitaker Bank to construct Colt's Run Road for \$13,078. Per agreement, failure to make payment 10 days or more past due date will result in a late fee, 5% of regularly scheduled payment or \$50, whichever is less. Upon default on loan, the lender may declare the entire unpaid balance and all accrued interest due and borrower will pay that amount. If borrower does not pay, the lender may hire someone to assist in collection at the expense of the borrower. Principal and interest payments are due each August 5th. The annual interest rate is 3.20%. The principal balance of the lease as of June 30, 2019, was \$10,788. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2020	\$ 1,208	\$ 345
2021	1,247	306
2022	1,287	266
2023	1,328	225
2024	1,370	183
2025-2027	<u>4,348</u>	<u>265</u>
Totals	<u>\$ 10,788</u>	<u>\$ 1,590</u>

GARRARD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 5. Long-term Debt (Continued)

A. Direct Borrowings (Continued)

5. Ambulance

On September 20, 2016, the Garrard County Fiscal Court entered into an unsecured six-year lease agreement with Whitaker Bank to purchase a new ambulance for \$105,018. Principal and interest payments are due monthly. The annual interest rate is 2.95%. Per the agreement, failure to make payment 10 days or more past the due date will result in a late fee, 5% of regularly scheduled payment or \$50, whichever is less. Upon default on the loan, the lender may declare the entire unpaid balance and all accrued interest due and the borrower will pay that amount. If the borrower does not pay, the lender may hire someone to assist in collection at the expense of the borrower. The principal balance of the lease as of June 30, 2019, was \$0.

6. Woodspring Road Project

On September 20, 2016, the Garrard County Fiscal Court entered into an unsecured ten-year lease agreement with Whitaker Bank to construct Woodspring Road for \$33,220. Principal and interest payments are due each October 15th. The annual interest rate is 3.60%. Per the agreement, failure to make payment 10 days or more past the due date will result in a late fee, 5% of regularly scheduled payment or \$50, whichever is less. Upon default on the loan, the lender may declare the entire unpaid balance and all accrued interest due and the borrower will pay that amount. If the borrower does not pay, the lender may hire someone to assist in collection at the expense of the borrower. The principal balance of the lease as of June 30, 2019, was \$24,047. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2020	\$ 3,047	\$ 988
2021	3,157	878
2022	3,270	765
2023	3,388	647
2024	3,510	525
2025-2027	7,675	905
Totals	<u>\$ 24,047</u>	<u>\$ 4,708</u>

7. HVAC Project

On October 4, 2016, the Garrard County Fiscal Court entered into an unsecured ten-year lease agreement with Farmers National Bank to complete the HVAC Project for \$360,000. Principal and interest payments are due each October 4th. The annual interest rate is 3.35%. Per the agreement, failure to make payment 10 days or more past the due date will result in a late fee, 5% of regularly scheduled payment or \$20, whichever is greater but not to exceed \$999, and a minimum finance charge equal to \$10. The principal balance of the lease as of June 30, 2019, was \$331,865. Future principal and interest requirements are:

GARRARD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 5. Long-term Debt (Continued)

A. Direct Borrowings (Continued)

7. HVAC Project (Continued)

Fiscal Year Ended June 30	Principal	Scheduled Interest
2020	\$ 14,953	\$ 11,106
2021	15,454	10,605
2022	15,972	10,088
2023	16,507	9,553
2024	17,060	9,000
2025-2027	251,919	23,325
Totals	<u>\$ 331,865</u>	<u>\$ 73,677</u>

8. Lisa Drive Project

On October 25, 2016, the Garrard County Fiscal Court entered into an unsecured ten-year lease agreement with Whitaker Bank to construct Lisa Drive for \$19,500. Principal and interest payments are due each November 5th. The annual interest rate is 3.40%. Per the agreement, failure to make payment 10 days or more past the due date will result in a late fee, 5% of regularly scheduled payment or \$50, whichever is less. Upon default on the loan, the lender may declare the entire unpaid balance and all accrued interest due and the borrower will pay that amount. If the borrower does not pay, the lender may hire someone to assist in collection at the expense of the borrower. The principal balance of the lease as of June 30, 2019, was \$16,126. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2020	\$ 1,794	\$ 547
2021	1,855	486
2022	1,918	423
2023	1,983	358
2024	2,051	290
2025-2027	6,525	498
Totals	<u>\$ 16,126</u>	<u>\$ 2,602</u>

GARRARD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 5. Long-term Debt (Continued)

A. Direct Borrowings (Continued)

9. Pam Drive Project

On July 14, 2017, the Garrard County Fiscal Court entered into an unsecured ten-year lease agreement with Whitaker Bank to construct Pam Drive for \$31,300. Principal and interest payments are due each July 14th. The annual interest rate is 3.125%. Per the agreement, failure to make payment 10 days or more past the due date will result in a late fee, 5% of regularly scheduled payment or \$50, whichever is less. Upon default on the loan, the lender may declare the entire unpaid balance and all accrued interest due and the borrower will pay that amount. If the borrower does not pay, the lender may hire someone to assist in collection at the expense of the borrower. The principal balance of the lease as of June 30, 2019, was \$28,596. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2020	\$ 2,808	\$ 893
2021	2,896	805
2022	2,987	715
2023	3,080	621
2024	3,176	525
2025-2028	<u>13,649</u>	<u>1,058</u>
Totals	<u>\$ 28,596</u>	<u>\$ 4,617</u>

10. Ronclar Road Project

On July 21, 2017, the Garrard County Fiscal Court entered into an unsecured ten-year lease agreement with Farmers Bank to construct Ronclar Road for \$46,450. Principal and interest payments are due each July 21st. The annual interest rate is 3.125%. Per the agreement, failure to make payment 10 days or more past the due date will result in a late fee, 5% of regularly scheduled payment or \$20, whichever is greater but not to exceed \$999, and a minimum finance charge equal to \$10. The principal balance of the lease as of June 30, 2019, was \$34,811. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2020	\$ 4,168	\$ 1,325
2021	4,298	1,195
2022	4,432	1,061
2023	4,571	922
2024	4,713	779
2025-2027	<u>12,629</u>	<u>1,287</u>
Totals	<u>\$ 34,811</u>	<u>\$ 6,569</u>

GARRARD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 5. Long-term Debt (Continued)

A. Direct Borrowings (Continued)

11. C Valley Road Project

On July 27, 2017, the Garrard County Fiscal Court entered into an unsecured ten-year lease agreement with Whitaker Bank to construct C Valley Road for \$100,020. Principal and interest payments are due each July 27th. The annual interest rate is 3.125 %. Per the agreement, failure to make payment 10 days or more past the due date will result in a late fee, 5% of regularly scheduled payment or \$50, whichever is less. Upon default on the loan, the lender may declare the entire unpaid balance and all accrued interest due and the borrower will pay that amount. If the borrower does not pay, the lender may hire someone to assist in collection at the expense of the borrower. The principal balance of the lease as of June 30, 2019, was \$91,361. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2020	\$ 8,974	\$ 2,854
2021	9,254	2,573
2022	9,543	2,284
2023	9,842	1,986
2024	10,149	1,678
2025-2028	43,599	3,397
Totals	<u>\$ 91,361</u>	<u>\$ 14,772</u>

12. Ford E-450 Ambulance

On November 3, 2017, the Garrard County Fiscal Court entered into a secured six-year lease agreement with Whitaker Bank to purchase a Ford E-450 Ambulance for \$97,958. The ambulance is collateral security on the loan. Principal and interest payments are due each monthly. The annual interest rate is 3.125 %. Per the agreement, failure to make payment 10 days or more past the due date will result in a late fee, 5% of regularly scheduled payment or \$50, whichever is less. Upon default on the loan, the lender may declare the entire unpaid balance and all accrued interest due and the borrower will pay that amount. If the borrower does not pay, the lender may hire someone to assist in collection at the expense of the borrower. The principal balance of the lease as of June 30, 2019, was \$73,971. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2020	\$ 15,888	\$ 2,080
2021	16,391	1,576
2022	16,911	1,057
2023	17,447	524
2024	7,334	
Totals	<u>\$ 73,971</u>	<u>\$ 5,237</u>

GARRARD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 5. Long-term Debt (Continued)

A. Direct Borrowings (Continued)

13. Police Vehicle – 2016 Dodge Charger

On November 16, 2017, the Garrard County Fiscal Court entered into an unsecured five-year lease agreement with Whitaker Bank to purchase a 2016 Dodge Charger for \$23,060. Principal and interest payments are due each monthly. The annual interest rate is 3.125 %. Per the agreement, failure to make payment 10 days or more past the due date will result in a late fee, 5% of regularly scheduled payment or \$50, whichever is less. Upon default on the loan, the lender may declare the entire unpaid balance and all accrued interest due and the borrower will pay that amount. If the borrower does not pay, the lender may hire someone to assist in collection at the expense of the borrower. The principal balance of the lease as of June 30, 2019, was \$0.

14. Hamilton Springs Project Refinance

On February 27, 2018, the Garrard County Fiscal Court entered into an unsecured six-year lease agreement with Whitaker Bank to refinance the Hamilton Springs project for \$37,288. Principal and interest payments are due each January 5th. The annual interest rate is 3.125 %. Per the agreement, failure to make payment 10 days or more past the due date will result in a late fee, 5% of regularly scheduled payment or \$50, whichever is less. Upon default on the loan, the lender may declare the entire unpaid balance and all accrued interest due and the borrower will pay that amount. If the borrower does not pay, the lender may hire someone to assist in collection at the expense of the borrower. The principal balance of the lease as of June 30, 2019, was \$24,264. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2020	\$ 5,905	\$ 986
2021	6,089	802
2022	6,280	611
2023	5,990	748
Totals	<u>\$ 24,264</u>	<u>\$ 3,147</u>

15. Dog Kennels

On April 24, 2018, the Garrard County Fiscal Court entered into an unsecured ten-year lease agreement with Whitaker Bank to purchase dog kennels for \$20,000. Principal and interest payments are due each April 24th. The annual interest rate is 3.25 %. Per the agreement, failure to make payment 10 days or more past the due date will result in a late fee, 5% of regularly scheduled payment or \$50, whichever is less. Upon default on the loan, the lender may declare the entire unpaid balance and all accrued interest due and the borrower will pay that amount. If the borrower does not pay, the lender may hire someone to assist in collection at the expense of the borrower. The principal balance of the lease as of June 30, 2019, was \$18,280. Future principal and interest requirements are:

GARRARD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 5. Long-term Debt (Continued)

A. Direct Borrowings (Continued)

15. Dog Kennels (Continued)

Fiscal Year Ended June 30	Principal	Scheduled Interest
2020	\$ 1,787	\$ 594
2021	1,845	536
2022	1,905	476
2023	1,967	414
2024	2,030	350
2025-2028	8,746	718
Totals	<u>\$ 18,280</u>	<u>\$ 3,088</u>

16. Whitney Drive Project

On January 18, 2019, the Garrard County Fiscal Court entered into an unsecured ten-year lease agreement with Whitaker Bank to construct Whitney Drive for \$52,878. Principal and interest payments are due each January 18th. The annual interest rate is 3.4%. Per the agreement, failure to make payment 10 days or more past the due date will result in a late fee, 5% of regularly scheduled payment or \$50, whichever is less. Upon default on the loan, the lender may declare the entire unpaid balance and all accrued interest due and the borrower will pay that amount. If the borrower does not pay, the lender may hire someone to assist in collection at the expense of the borrower. The principal balance of the lease as of June 30, 2019, was \$52,878. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2020	\$ 4,544	\$ 1,798
2021	4,699	1,643
2022	4,858	1,484
2023	5,024	1,318
2024	5,194	1,148
2025 -2029	28,559	2,965
Totals	<u>\$ 52,878</u>	<u>\$ 10,356</u>

GARRARD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 5. Long-term Debt (Continued)

B. Other Debt

1. First Mortgage Revenue Bonds, Series 2009 (Justice Center Project)

On September 30, 2009, the Garrard County Public Improvements Corporation issued \$11,830,000 Lease Revenue Bonds, Series 2009, for the purpose of funding the construction of a justice center. The Public Improvements Corporation entered into an agreement with the Administrative Office of the Courts (AOC) for the payments to be made by AOC while being tenants of the building. The agreement is secured with a foreclosable first mortgage lien on the Garrard County Judicial Center. Upon default in payment, the terms of the agreement stipulate the following remedies: (a) the enforcement of foreclosure and sale of security; (b) by suit, action, or proceed in law to enforce all rights of bond owners; (c) by bringing suit upon the bonds; (d) by action or suit in equity, require the issuer to account as if it were the trustee of an express trust for the owners of the bonds; (e) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the owners of the bonds; (f) by declaring all bonds due and payable, and if all defaults shall be made good, then, with the written consent of the owners of not less than fifty percent (50%) in principal amount of the outstanding bonds, by annulling such declaration and its consequences; (g) in the event that all bonds are declared due and payable, by selling permitted investments of the issuer (to the extent not theretofore set aside for redemption of bonds for which call has been made), and enforcing all courses in action of the issuer to the fullest legal extent in the name of the issuer for the use and benefit of the owners of the bonds. These bonds were issued at varying interest rates ranging from 2.5% to 4%. Principal payments are due September 1, beginning in 2010, and interest is payable semiannually on March 1 and September 1, beginning March 1, 2010. On June 1, 2019, these bonds were partially defeased with First Mortgage Refunding Revenue Bonds, Series 2019. As of June 30, 2019, the principal balance was \$1,875,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2020	\$ 605,000	\$ 53,072
2021	625,000	32,316
2022	<u>645,000</u>	<u>10,884</u>
Totals	<u>\$ 1,875,000</u>	<u>\$ 96,272</u>

GARRARD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 5. Long-term Debt (Continued)

B. Other Debt (Continued)

2. First Mortgage Revenue Refunding Bonds, Series 2019 (Justice Center Project)

On June 1, 2019, the Garrard County Public Improvement Corporation issued \$5,353,673 in First Mortgage Revenue Refunding Bonds. Proceeds from the bonds will be used for the purpose of (i) the advance refunding of all or certain maturities of the \$11,830,000 Garrard County, Kentucky Public Improvement Corporation First Mortgage Revenue Bonds, Series 2009, dated September 30, 2009; (ii) the payment of accrued interest, if any; and (iii) the payment of the cost of issuance incurred with respect to the issuance of the bonds. Principal payments are due annually on September 1 beginning September 1, 2022. This debt is secured with a mortgage deed of trust which is subordinate to the lien created by the mortgage and indenture of trust dated September 16, 2009. Upon default in the payment of the principal of or interest on the bonds, the mortgage, shall be enforced, which enforcement may, under the terms of the mortgage, include foreclosure of the liens created by the mortgage and sale of the project. Interest payments, which varies from three percent to four percent, is payable semi-annually on March 1 and September 1. The outstanding principal balance as of June 30, 2019, was \$5,353,673. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2020	\$	\$ 111,178
2021		149,903
2022		149,903
2023	632,044	141,054
2024	731,076	121,971
2025-2029	3,990,553	285,295
Totals	<u>\$ 5,353,673</u>	<u>\$ 959,304</u>

C. KACo Leases for Purchase Asset

1. Ponderosa Road Project

On August 18, 2008, the Garrard County Fiscal Court entered into an unsecured twenty-year lease agreement with Kentucky Association of Counties Leasing Trust to construct Ponderosa Road for \$35,700. The annual interest rate is 4.967%. Per the agreement, failure to make payment 10 days or more past due date shall bear interest thereon at the late payment rate. Upon default of the loan, the lessor may take whatever action at law or inequity, and recover damages from the lessee for such action such as legal fees, other costs and expenses once finally adjudicated that an event of default has occurred. The principle balance of the lease as of June 30, 2019, was \$13,929. Future principal and interest requirements are:

GARRARD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 5. Long-term Debt (Continued)

C. KACo Leases for Purchase Asset (Continued)

1. Ponderosa Road Project (Continued)

Fiscal Year Ended June 30	Principal	Scheduled Interest
2020	\$ 2,054	\$ 959
2021	2,154	825
2022	2,259	685
2023	2,370	538
2024	2,485	384
2025	2,607	30
Totals	<u>\$ 13,929</u>	<u>\$ 3,421</u>

2. New Haven Road Project

On September 2, 2008, the Garrard County Fiscal Court entered into an unsecured twenty-year lease agreement with Kentucky Association of Counties Leasing Trust to construct New Haven Road for \$250,000. The fiscal court received \$234,302 and \$15,698 was placed in a cash account. The cash account and the road checking account were used to pay the monthly interest. The cash balance was closed in 2011. The annual interest rate is 4.29%. Per the agreement, failure to make payment 10 days or more past the due date shall bear interest thereon at the late payment rate. Upon default of the loan, the lessor may take whatever action at law or inequity, and recover damages from the lessee for such action such as legal fees, other costs and expenses once finally adjudicated that an event of default has occurred. The principal balance of the lease as of June 30, 2019, was \$67,502. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2020	\$ 10,000	\$ 3,903
2021	15,000	2,991
2022	15,000	2,054
2023	15,000	1,116
2024	12,502	87
Totals	<u>\$ 67,502</u>	<u>\$ 10,151</u>

GARRARD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 5. Long-term Debt (Continued)

C. KACo Leases for Purchase Asset (Continued)

3. Overlook Drive Project

On November 3, 2008, the Garrard County Fiscal Court entered into an unsecured fifteen-year lease agreement with Kentucky Association of Counties Leasing Trust to construct Overlook Drive for \$155,000; \$146,000 was paid to the fiscal court and the \$9,000 was placed in a cash account. The cash account and the road checking account were used to pay the monthly interest. The cash balance was closed out in 2010. The annual interest rate is 4.328%. Per the agreement, failure to make payment 10 days or more past the due date shall bear interest thereon at the late payment rate. Upon default of the loan, the lessor may take whatever action at law or inequity, and recover damages from the lessee for such action such as legal fees, other costs and expenses once finally adjudicated that an event of default has occurred. The principle balance of the lease as of June 30, 2019, was \$20,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2020	\$ 10,000	\$ 1,335
2021	10,000	567
Totals	<u>\$ 20,000</u>	<u>\$ 1,902</u>

4. River Run Road Project

On September 14, 2011, the Garrard County Fiscal Court entered into an unsecured ten-year lease agreement with Kentucky Association of Counties Leasing Trust to construct River Run Road for \$101,232. Principal payments are due each September 20 while interest payments are due monthly. Per the agreement, failure to make payment 10 days or more past the due date shall bear interest thereon at the late payment rate. Upon default of the loan, the lessor may take whatever action at law or inequity, and recover damages from the lessee for such action such as legal fees, other costs and expenses once finally adjudicated that an event of default has occurred. The annual interest rate is 4.550%. The principal balance of the lease as of June 30, 2019, was \$0.

5. Rolling Meadows Project

On November 2, 2012, the Garrard County Fiscal Court entered into an unsecured ten-year lease agreement with Kentucky Association of Counties Leasing Trust to construct Rolling Meadows Road for \$82,801. Principal payments are due each January 20 while interest payments are due monthly. The annual interest rate is 4.550%. Per the agreement, failure to make payment 10 days or more past the due date shall bear interest thereon at the late payment rate. Upon default of the loan, the lessor may take whatever action at law or inequity, and recover damages from the lessee for such action such as legal fees, other costs and expenses once finally adjudicated that an event of default has occurred. The principal balance of the lease as of June 30, 2019, was \$44,160. Future principal and interest requirements are:

GARRARD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 5. Long-term Debt (Continued)

C. KACo Leases for Purchase Asset (Continued)

6. Rolling Meadows Project (Continued)

Fiscal Year Ended June 30	Principal	Scheduled Interest
2020	\$ 5,520	\$ 2,682
2021	5,520	2,322
2022	5,520	1,970
2023	27,600	884
Totals	<u>\$ 44,160</u>	<u>\$ 7,858</u>

7. Courthouse Renovations

On May 22, 2013, the Garrard County Fiscal Court entered into an unsecured twenty-year lease agreement with Kentucky Association of Counties Leasing Trust to do courthouse renovations for \$255,000. Principal and interest payments are due monthly. The annual interest rate is 2.95%. Per the agreement, failure to make payment 10 days or more past the due date shall bear interest thereon at the late payment rate. Upon default of the loan, the lessor may take whatever action at law or inequity, and recover damages from the lessee for such action such as legal fees, other costs and expenses once finally adjudicated that an event of default has occurred. The principal balance of the lease as of June 30, 2019, was \$190,833. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2020	\$ 10,000	\$ 6,467
2021	10,000	6,242
2022	12,083	6,007
2023	15,000	5,704
2024	15,000	5,318
2025-2029	75,000	19,782
2030-2033	53,750	6,278
Totals	<u>\$ 190,833</u>	<u>\$ 55,798</u>

GARRARD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 5. Long-term Debt (Continued)

D. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings:					
Various Road Projects	\$ 312,176	\$ 52,877	\$ 32,232	\$ 332,821	\$ 37,747
Ambulance Purchase	165,575		91,605	73,970	1,268
Dodge Charger	20,550		20,550		
Dog Kennels	20,000		1,721	18,279	1,787
HVAC Project	346,168		14,302	331,866	14,953
Other Debt:					
Garrard County Public Improvements Corporation Lease Revenue Bonds Series 2009 - Judicial Center Project	7,700,000		5,825,000	1,875,000	605,000
Garrard County Public Improvements Corporation Lease Revenue Refunding Bonds, Series 2019 - Judicial Center Project		5,353,673		5,353,673	
KACo Lease for Purchase Asset:					
Courthouse Renovation	200,833		10,000	190,833	10,000
Various Road Projects	198,227		53,151	145,076	27,574
Total Long-term Debt	<u>\$ 8,963,529</u>	<u>\$ 5,406,550</u>	<u>\$ 6,048,561</u>	<u>\$ 8,321,518</u>	<u>\$ 698,329</u>

Note 6. Employee Retirement System

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (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 2017 was \$340,721, FY 2018 was \$408,074, and FY 2019 was \$452,806.

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.

GARRARD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 6. Employee Retirement System (Continued)

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 21.48 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.

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

GARRARD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 6. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (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. 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.

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.

GARRARD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 7. Deferred Compensation

The Garrard 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 201 High Street, 2nd Floor, Frankfort, KY 40601, or by telephone at (502) 573-7925.

Note 8. Health Reimbursement Account

The Garrard County Fiscal Court established a health spending account to provide employees an additional health benefit. The plan provides a banking account for each eligible employee providing \$1,500 each year to pay for qualified medical expenses. Employees may also contribute additional pre-tax funds through payroll deduction.

Note 9. Insurance

For the fiscal year ended June 30, 2019, the Garrard 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. Note Receivable

On May 25, 2018, the Garrard County Fiscal Court approved to finance road expenses for Indian Springs Court in the amount of \$23,550 at 3.200% for 15 years. The payments are made annually and come from tax collections that are on the residents' tax bills. The balance as of June 30, 2019 is \$22,302.

Note 11. Endowment Funds

- A. On June 23, 2017, the Garrard County Fiscal Court gave \$70,000 and \$9,592 on June 29, 2018, to Community Foundation of Louisville, Inc. (Foundation) which is a 501(3)(c) to establish a fund to be used for the betterment of the Garrard County Animal Control Program. The Foundation has authority and control over the assets in the Fund, and the income derived from it. The distribution policy is to allocate 5% of an average fund balance for grants and the Foundation's administrative fee. The balance in this fund as of June 30, 2019, was \$88,125.

GARRARD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 11. Endowment Funds (Continued)

- B. On August 9, 2016, the Garrard County Fiscal Court gave \$539,333 to Community Foundation of Louisville, Inc. (Foundation) to establish a fund to be used for support of the charitable, scientific, or educational purposes of the Garrard County Fiscal Court. The Foundation has authority and control over the assets in the Fund, and the income derived from it. The distribution policy is to allocate 5% of an average fund balance for grants and the Foundation's administrative fee. During fiscal year 2019, the fiscal court turned over \$101,946 to this fund. The balance in this fund as of June 30, 2019, was \$768,199.
- C. The fiscal court also has two other funds with the Community Foundation of Louisville, Inc. (Foundation) to be used for the betterment of the Logan Hubble Park. The Foundation has authority and control over the assets in the fund, and the income derived from it. The distribution policy is to allocate 5% of an average fund balance for grants and the Foundation's administrative fee. The balances in the two funds as of June 30, 2019 were \$21,407.

Note 12. Prior Period Adjustments

General Fund:

Ending Cash Balance Prior Year	\$ 309,240
Prior Year Voided Checks	5,157
Ending Cash Balance Prior Year (adjusted)	<u>\$ 314,397</u>

Road Fund:

Ending Cash Balance Prior Year	\$ 207,213
Prior Year Voided Checks	332
Ending Cash Balance Prior Year (adjusted)	<u>\$ 207,545</u>

Solid Waste Fund:

Ending Cash Balance Prior Year	\$ 72,236
Prior Year Voided Checks	88
Ending Cash Balance Prior Year (adjusted)	<u>\$ 72,324</u>

CSEPP Fund:

Ending Cash Balance Prior Year	\$ 5,600
Prior Year Voided Checks	3,397
Ending Cash Balance Prior Year (adjusted)	<u>\$ 8,997</u>

Fund Balance:

Ending Cash Balance - Prior Year	\$ 728,901
Add: Prior Year Voided Checks	8,974
Ending Cash Balance - Prior Year (adjusted)	<u>\$ 737,875</u>

THIS PAGE LEFT BLANK INTENTIONALLY

GARRARD COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2019

THIS PAGE LEFT BLANK INTENTIONALLY

GARRARD COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2019

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 2,436,775	\$ 2,443,823	\$ 3,059,362	\$ 615,539
Excess Fees	131,223	131,223	165,795	34,572
Licenses and Permits	24,200	24,200	36,043	11,843
Intergovernmental	354,422	354,422	377,041	22,619
Charges for Services	927,600	933,801	903,138	(30,663)
Miscellaneous	167,000	287,884	291,577	3,693
Interest	2,550	2,550	173	(2,377)
Total Receipts	<u>4,043,770</u>	<u>4,177,903</u>	<u>4,833,129</u>	<u>655,226</u>
DISBURSEMENTS				
General Government	1,179,740	1,263,961	1,234,051	29,910
Protection to Persons and Property	2,008,378	2,194,558	2,163,724	30,834
General Health and Sanitation	77,440	85,391	80,506	4,885
Social Services	1,500	22,006	22,000	6
Recreation and Culture	45,000	40,077	40,076	1
Capital Projects	2,500	114,000	113,714	286
Administration	1,165,212	1,032,150	967,810	64,340
Total Disbursements	<u>4,479,770</u>	<u>4,752,143</u>	<u>4,621,881</u>	<u>130,262</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(436,000)</u>	<u>(574,240)</u>	<u>211,248</u>	<u>785,488</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds		114,000		(114,000)
Transfers From Other Funds	236,000	236,000	144,000	(92,000)
Transfers To Other Funds	(85,000)	(85,000)	(115,000)	(30,000)
Total Other Adjustments to Cash (Uses)	<u>151,000</u>	<u>265,000</u>	<u>29,000</u>	<u>(236,000)</u>
Net Change in Fund Balance	(285,000)	(309,240)	240,248	549,488
Fund Balance - Beginning (Restated)	<u>285,000</u>	<u>309,240</u>	<u>314,397</u>	<u>5,157</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 554,645</u>	<u>\$ 554,645</u>

GARRARD COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 5,000	\$ 5,000	\$ 10,000	\$ 5,000
Licenses and Permits	1,000	2,455	2,654	199
Intergovernmental	1,710,530	1,970,673	1,655,510	(315,163)
Miscellaneous	106,863	161,818	186,543	24,725
Total Receipts	<u>1,823,393</u>	<u>2,139,946</u>	<u>1,854,707</u>	<u>(285,239)</u>
DISBURSEMENTS				
General Government	18,000	18,000	16,397	1,603
Protection to Persons and Property	150	150		150
Roads	1,558,970	1,854,648	1,425,824	428,824
Debt Service	118,763	187,890	117,922	69,968
Administration	196,510	208,348	144,751	63,597
Total Disbursements	<u>1,892,393</u>	<u>2,269,036</u>	<u>1,704,894</u>	<u>564,142</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(69,000)</u>	<u>(129,090)</u>	<u>149,813</u>	<u>278,903</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds		52,877	52,877	
Transfers To Other Funds	<u>(131,000)</u>	<u>(131,000)</u>	<u>(131,000)</u>	
Total Other Adjustments to Cash (Uses)	<u>(131,000)</u>	<u>(78,123)</u>	<u>(78,123)</u>	
Net Change in Fund Balance	(200,000)	(207,213)	71,690	278,903
Fund Balance - Beginning (Restated)	<u>200,000</u>	<u>207,213</u>	<u>207,545</u>	<u>332</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 279,235</u>	<u>\$ 279,235</u>

GARRARD COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Intergovernmental	\$ 6,000	\$ 6,000	\$ 2,090	\$ (3,910)
Total Receipts	<u>6,000</u>	<u>6,000</u>	<u>2,090</u>	<u>(3,910)</u>
DISBURSEMENTS				
Protection to Persons and Property	5,000	5,000	4,163	837
Administration	39,000	39,000		39,000
Total Disbursements	<u>44,000</u>	<u>44,000</u>	<u>4,163</u>	<u>39,837</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(38,000)</u>	<u>(38,000)</u>	<u>(2,073)</u>	<u>35,927</u>
Net Change in Fund Balance	(38,000)	(38,000)	(2,073)	35,927
Fund Balance - Beginning	<u>38,000</u>	<u>38,000</u>	<u>38,490</u>	<u>490</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 36,417</u>	<u>\$ 36,417</u>

GARRARD COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

	SOLID WASTE FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 146,000	\$ 149,013	\$ 137,372	\$ (11,641)
Charges for Services	134,500	134,500	106,351	(28,149)
Miscellaneous	70,000	170,000	150,481	(19,519)
Interest	10	10	7	(3)
Total Receipts	<u>350,510</u>	<u>453,523</u>	<u>394,211</u>	<u>(59,312)</u>
DISBURSEMENTS				
General Health and Sanitation	388,480	388,480	279,352	109,128
Debt Service		100,000	100,000	
Administration	43,030	46,043	23,386	22,657
Total Disbursements	<u>431,510</u>	<u>534,523</u>	<u>402,738</u>	<u>131,785</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(81,000)</u>	<u>(81,000)</u>	<u>(8,527)</u>	<u>72,473</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	5,000	5,000		(5,000)
Total Other Adjustments to Cash (Uses)	<u>5,000</u>	<u>5,000</u>		<u>(5,000)</u>
Net Change in Fund Balance	(76,000)	(76,000)	(8,527)	67,473
Fund Balance - Beginning (Restated)	<u>76,000</u>	<u>76,000</u>	<u>72,324</u>	<u>(3,676)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 63,797</u>	<u>\$ 63,797</u>

GARRARD COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

	DEBT SERVICE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$		\$ 187	\$ 187
Interest		25,100	1	(25,099)
Total Receipts		<u>25,100</u>	<u>188</u>	<u>(24,912)</u>
DISBURSEMENTS				
Debt Service		50		50
Administration		600		600
Total Disbursements		<u>650</u>		<u>650</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>24,450</u>	<u>188</u>	<u>(24,262)</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds		<u>(25,000)</u>		<u>25,000</u>
Total Other Adjustments to Cash (Uses)		<u>(25,000)</u>		<u>25,000</u>
Net Change in Fund Balance		(550)	188	738
Fund Balance - Beginning		<u>550</u>	<u>532</u>	<u>(18)</u>
Fund Balance - Ending	\$	<u>0</u>	\$ 720	\$ 720

GARRARD COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

	HOUSE BILL 577 FUND			
	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 25,000	\$ 25,000	\$ 19,943	\$ (5,057)
Miscellaneous	200	200		(200)
Interest	10	10	1	(9)
Total Receipts	<u>25,210</u>	<u>25,210</u>	<u>19,944</u>	<u>(5,266)</u>
DISBURSEMENTS				
General Government	55,000	55,000	37,250	17,750
Administration	210	210		210
Total Disbursements	<u>55,210</u>	<u>55,210</u>	<u>37,250</u>	<u>17,960</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(30,000)</u>	<u>(30,000)</u>	<u>(17,306)</u>	<u>12,694</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			13,000	13,000
Transfers To Other Funds			<u>(13,000)</u>	<u>(13,000)</u>
Total Other Adjustments to Cash (Uses)				
Net Change in Fund Balance	(30,000)	(30,000)	(17,306)	12,694
Fund Balance - Beginning	<u>30,000</u>	<u>30,000</u>	<u>24,898</u>	<u>(5,102)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7,592</u>	<u>\$ 7,592</u>

GARRARD COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

VETERANS MEMORIAL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$	\$	\$ 1,395	\$ 1,395
Total Receipts			1,395	1,395
DISBURSEMENTS				
Recreation and Culture	70,000	70,000	66,556	3,444
Total Disbursements	70,000	70,000	66,556	3,444
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(70,000)	(70,000)	(65,161)	4,839
Net Change in Fund Balance	(70,000)	(70,000)	(65,161)	4,839
Fund Balance - Beginning	70,000	70,000	69,192	(808)
Fund Balance - Ending	\$ 0	\$ 0	\$ 4,031	\$ 4,031

GARRARD COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

	CSEPP FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 950,000	\$ 950,000	\$ 454,208	\$ (495,792)
Miscellaneous			25,490	25,490
Interest			1	1
Total Receipts	<u>950,000</u>	<u>950,000</u>	<u>479,699</u>	<u>(470,301)</u>
DISBURSEMENTS				
Protection to Persons and Property	927,500	927,500	554,994	372,506
Administration	27,500	27,500	24,932	2,568
Total Disbursements	<u>955,000</u>	<u>955,000</u>	<u>579,926</u>	<u>375,074</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(5,000)</u>	<u>(5,000)</u>	<u>(100,227)</u>	<u>(95,227)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	80,000	80,000	102,000	22,000
Transfers To Other Funds	<u>(80,000)</u>	<u>(80,000)</u>	<u>102,000</u>	<u>80,000</u>
Total Other Adjustments to Cash (Uses)			<u>102,000</u>	<u>102,000</u>
Net Change in Fund Balance	(5,000)	(5,000)	1,773	6,773
Fund Balance - Beginning (Restated)	<u>5,000</u>	<u>5,000</u>	<u>8,997</u>	<u>3,997</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 10,770</u>	<u>\$ 10,770</u>

GARRARD COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2019

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.

THIS PAGE LEFT BLANK INTENTIONALLY

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

For The Year Ended June 30, 2019

THIS PAGE LEFT BLANK INTENTIONALLY

GARRARD COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2019

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 815,750	\$	\$	\$ 815,750
Buildings and Building Improvements	18,117,816		10,000	18,107,816
Machinery and Equipment	2,720,409		149,735	2,570,674
Vehicles	612,594	29,000	61,196	580,398
Infrastructure	8,243,382	603,111		8,846,493
 Total Capital Assets	 <u>\$ 30,509,951</u>	 <u>\$ 632,111</u>	 <u>\$ 220,931</u>	 <u>\$ 30,921,131</u>

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

June 30, 2019

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 Improvements	\$ 10,000	10-60
Buildings and Building Improvements	\$ 20,000	5-75
Machinery and Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	3-25
Infrastructure	\$ 20,000	10-50

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

THIS PAGE LEFT BLANK INTENTIONALLY



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable John Wilson, Garrard County Judge/Executive
Members of the Garrard 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 Garrard County Fiscal Court for the fiscal year ended June 30, 2019, and the related notes to the financial statement which collectively comprise the Garrard County Fiscal Court's financial statement and have issued our report thereon dated June 22, 2020.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified a certain deficiency in internal control that we consider to be a material weakness 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 Responses as item 2019-001 to be a material weakness.

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 Responses as item 2019-002 to be a significant deficiency.



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 Garrard County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2019-001.

Views of Responsible Official and Planned Corrective Action

Garrard 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

June 22, 2020

**GARRARD COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2019

THIS PAGE LEFT BLANK INTENTIONALLY

**GARRARD COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2019

FINANCIAL STATEMENT FINDINGS:

2019-001 The Garrard County Fiscal Court Did Not Maintain An Accurate Liability Schedule

The Garrard County Fiscal Court's liability schedule presented to Department for Local Government (DLG) was misstated. The fiscal court did not accurately report all debt of the county. The Public Improvement Corporation's new debt was omitted from the liability schedule and the change to the old bond was not updated to reflect new balance. The county also entered into various lease agreements in prior years that were not reported on the schedule. The county stated that they were not aware that these debt payments and balances should be reported. By not accurately reporting debt, the county is not in compliance with KRS 68.210. In addition, the county is not providing a complete overview of their debt by understating it by \$450,580 in principal and overstating \$374,538 in interest.

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 *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.

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: We refinanced the debt on the judicial center to take advantage of historically low interest rates during this audit period at a substantial savings to the taxpayers. This debt is paid through the AOC and is not paid through the Garrard County Fiscal Court. The updated liability statement was properly recorded with the county clerk. The second part of this finding relates to our lease payments on leased vehicles, on leases we have had since 2016. We have had three audit since the time, and all previous auditors have agreed with our practice of not including these payments as debt since we do not own the vehicles in the traditional manner pursuant to our contract with the vendor. However, in light of the fact that the current auditors have taken issue with this practice, we have changed how we classify these payments.

Auditor's Reply: The fiscal court is financially accountable and legally obligated for the debt paid through the Administrative Office of the Courts necessitating it to be reported on the liability schedule. The Auditor of Public Accounts approved the county judge/executive to hire an independent CPA to conduct the county's prior three fiscal year audits mentioned in his response.

2019-002 The Garrard County Fiscal Court Posted Revenue As Negative Disbursements

The Garrard County Fiscal Court posted numerous receipts as negative expenditures on the ledgers, requiring audit adjustments totaling \$56,539 to receipts and disbursements. The county treasurer believed she should offset expenditure line items with reimbursements received from grants, etc. Total receipts and total disbursements on the county's ledgers and financial statement were understated by \$56,539.

KRS 424.220 requires public officers who receive or disburse public funds to prepare an itemized, sworn statement of all funds collected, received, held, or disbursed during the fiscal year. With the exception of Fayette and Jefferson Counties, this applies to all county treasurers, county clerks, and county sheriffs. Per the County Budget Preparation and State and Local Finance Officer Policy Manual, "All receipts must be assigned a receipt code."

**GARRARD COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019**

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-002 The Garrard County Fiscal Court Posted Revenue As Negative Disbursements (Continued)

We recommend the fiscal court assign all receipts a receipt code, ensuring the ledgers and financial statement accurately reflect all activities of the funds.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Our treasurer is a Certified Public Accountant who has managed the county ledgers in a manner that is regularly accepted in the accounting industry, and has handled these reimbursements and refunds in this way for many years. We receive reimbursements and refunds from outside entities for regularly reoccurring services that are shared by the county. We believe this accounting practice more clearly reflects the true liabilities and expenditures to the taxpayers as they are not paying the full amount of these services due to the reimbursements. Moreover, to book a refund in the way the auditor suggests will give the appearance of a greater expenditure than is correct, which misleads magistrates and taxpayers. The way the auditor suggests will vastly overstate the true expenditures of the county. That said, while counterintuitive, this is a technical change that we are happy to make in light of the auditor's findings.

Auditor's Reply: As stated above, the *County Budget Preparation and State and Local Finance Officer Policy Manual* states, "All receipts must be assigned a receipt code." Offsetting actual disbursements with revenue/reimbursements understates receipts and disbursements on the county's financial statement.

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

GARRARD COUNTY FISCAL COURT

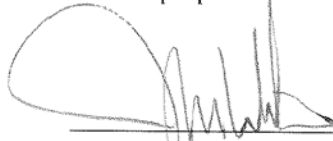
For The Year Ended June 30, 2019

THIS PAGE LEFT BLANK INTENTIONALLY

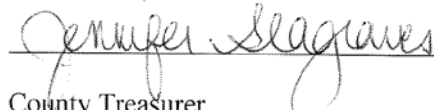
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
COUNTY FISCAL COURT

For The Year Ended June 30, 2019

The Garrard 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