

PRELIMINARY OFFICIAL STATEMENT DATED JULY 19, 2019

Book-Entry Only

**RATINGS: Standard & Poor's: "A-"
See "Rating" herein**

NEW ISSUE

In the opinion of Bond Counsel, under existing law (i) interest on the Bonds will be excludible from gross income of the holders thereof for purposes of federal income taxation and (ii) interest on the Bonds will not be a specific item of tax preference for purposes of the federal alternative minimum tax, all subject to the qualifications described herein under the heading "TAX EXEMPTION." Interest on the Bonds is also exempt from income taxation and the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky.

\$17,565,000*

**COUNTY OF GRAYSON, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2019**

Dated: Date of Delivery

Due: June 1st, as shown below

Interest on the captioned bonds (herein the "Bonds") will be payable from the dated date, on June 1st and December 1st, commencing December 1, 2019, and the Bonds mature on the dates and in the amounts, as shown below:

<u>Date</u>	<u>Amount*</u>	<u>Interest Rate</u>	<u>Price/Yield</u>	<u>Date</u>	<u>Amount*</u>	<u>Interest Rate</u>	<u>Price/Yield</u>
June 1, 2020	\$475,000	%		June 1, 2033	\$695,000	%	
June 1, 2021	520,000			June 1, 2034	720,000		
June 1, 2022	530,000			June 1, 2035	740,000		
June 1, 2023	540,000			June 1, 2036	765,000		
June 1, 2024	550,000			June 1, 2037	790,000		
June 1, 2025	565,000			June 1, 2038	815,000		
June 1, 2026	575,000			June 1, 2039	840,000		
June 1, 2027	590,000			June 1, 2040	870,000		
June 1, 2028	605,000			June 1, 2041	900,000		
June 1, 2029	620,000			June 1, 2042	930,000		
June 1, 2030	640,000			June 1, 2043	965,000		
June 1, 2031	655,000			June 1, 2044	995,000		
June 1, 2032	675,000						

The Bonds will be initially issued as fully registered bonds in book entry form in the name of The Depository Trust Company ("DTC") or its nominee. There will be no distribution of Bonds to owners of book entry interests. DTC will receive all payments of principal and interest with respect to the Bonds from U.S. Bank National Association Louisville, Kentucky, as Paying Agent and Bond Registrar. DTC is required by its rules and procedures to remit such payments to participants in DTC for subsequent disbursement to the owners of book entry interests. So long as DTC or its nominee is the registered owner of the Bonds, references herein to the Bondholders or registered owners (other than under the captions "LEGAL MATTERS-Tax Exemption" and "CONTINUING DISCLOSURE") shall mean DTC or its nominee, and not the owners of book entry interests in the Bonds. The Bonds will be issued in denominations of \$5,000 each or integral multiples thereof.

The Bonds are subject to redemption prior to maturity as described herein.

The County of Grayson (the "Issuer") deems this Preliminary Official Statement to be final for purposes of Security and Exchange Commission Rule 15c2-12, except for certain information on the cover page hereof and certain pages herein which has been omitted in accordance with the Rule and will be provided with the final Official Statement.

The Bonds are offered when, as and if issued, subject to the approval of legality and tax exemption by Dinsmore & Shohl LLP, Bond Counsel, Covington, Kentucky. Certain legal matters have been passed upon for the Issuer by Jeremy Logsdon, Esq., County Attorney. The Bonds are expected to be available for delivery on or about August 7, 2019.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.



Ross, Sinclair & Associates, LLC

Dated: _____, 2019

* Preliminary, subject to change.

This Preliminary Official Statement and information contained herein are subject to change, completion or amendment without notice. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

REGARDING THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds. No dealer, broker, salesman or other person has been authorized by the Issuer to give any information or to make any representation, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Issuer. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information and expressions of opinion herein are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof.

Upon issuance, the Bonds will not be registered by the Issuer under any federal or state securities law, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity or agency except the Issuer will have, at the request of the Issuer, passed upon the accuracy or adequacy of this Official Statement or approved the Bonds for sale.

All financial and other information presented in this Official Statement has been provided by the Issuer from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the Issuer. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future.

Insofar as the statements contained in this Official Statement involve matters of opinion or estimates, even if not expressly stated as such, such statements are made as such and not as representations of fact or certainty, no representation is made that any of such statements have been or will be realized, and such statements should be regarded as suggesting independent investigation or consultation of other sources prior to the making of investment decisions. Certain information may not be current; however, attempts were made to date and document sources of information. Neither this Official Statement nor any oral or written representations by or on behalf of the Issuer preliminary to sale of the Bonds should be regarded as part of the Issuer's contract with the holders of the Bonds.

References herein to provisions of Kentucky law, whether codified in the Kentucky Revised Statutes ("KRS") or uncodified, or to the provisions of the Kentucky Constitution or the Issuer's ordinances or resolutions, are references to such provisions as they presently exist. Any of these provisions may from time to time be amended, repealed or supplemented.

As used in this Official Statement, "debt service" means principal of, interest and any premium on, the obligations referred to; "Issuer" means the County of Grayson; and "Kentucky" or "Commonwealth" means the Commonwealth of Kentucky.

COUNTY OF GRAYSON, KENTUCKY

Judge/Executive
Kevin Henderson

County Magistrates
Robby Higdon
Darin Whitely
Tommy Higdon
Damon Hornback
Brian Ashley
Neal Saltsman

County Attorney
Jeremy Logsdon, Esq.

Fiscal Court Clerk
Charlotte Willis

Treasurer
Angel Hays

BOND COUNSEL
Dinsmore & Shohl LLP
Covington, Kentucky

FINANCIAL ADVISOR
Ross, Sinclair & Associates, LLC
Lexington, Kentucky

BOND REGISTRAR AND PAYING AGENT
U.S. Bank National Association
Louisville, Kentucky

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INTRODUCTION

The purpose of this Official Statement, which includes the cover page and appendices hereto, is to provide certain information with respect to the issuance of \$17,565,000** aggregate principal amount of General Obligation Bonds, Series 2019 (the “Bonds”) of the County of Grayson, Kentucky (the “Issuer”) as specified on the cover hereof.

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

The Issuer

The Bonds are being issued by the Issuer, a county and political subdivision of the Commonwealth of Kentucky. The county seat is the City of Leitchfield, Kentucky.

Sources of Payment for the Bonds

The Bonds are general obligation debt of the Issuer. The basic security for the Bonds is the Issuer’s ability to levy an annual tax to pay the interest on and principal of the Bonds as and when the same become due and payable. (See “DESCRIPTION OF THE BONDS - Security and Source of Payment for the Bonds,” herein.)

Purpose of the Bonds

The Bonds are being issued for the purpose of (i) financing a detention center addition and other capital improvements to be owned and operated by Grayson County (ii) currently refunding the County’s outstanding General Obligation Refunding Bonds (Detention Facility Project), Series 2006 (collectively, the “Project), (iii) paying capitalized interest, and (iv) paying the costs of issuing the Bonds. (See “THE PROJECT” herein.)

Description of the Bonds

The Bonds mature as set forth on the cover page hereof. The Bonds are being offered in the denominations of \$5,000 or any integral multiple thereof.

Interest

The Bonds will bear interest at the rates set forth on the cover page hereof, payable semi-annually on June 1st and December 1st, beginning December 1, 2019 (each an “Interest Payment Date”). The record dates for Interest Payment Dates will be the fifteenth day of the month immediately preceding such date.

Redemption

The Bonds maturing on or after June 1, 2028 are subject to redemption prior to stated maturity on any date falling on or after June 1, 2027 (less than all of a single maturity to be selected by lot), in whole or in part, at a redemption price equal to the principal amount redeemed, plus accrued interest to the date

* Preliminary, subject to change.

of redemption. See “DESCRIPTION OF THE BONDS – Redemption Provisions – Optional Redemption” herein).

[The Bonds maturing on June 1, 20__ are subject to mandatory sinking fund redemption commencing June 1, 20__, and the Bonds maturing on June 1, 20__ are subject to mandatory sinking fund redemption commencing June 1, 20__. (see “DESCRIPTION OF THE BONDS - Redemption Provisions- Mandatory Sinking Fund Redemption,” herein).]

If any Bonds are called for redemption, notice shall be given by mailing a copy of the redemption notice at least thirty (30) days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed (see “DESCRIPTION OF THE BONDS - Redemption Provisions – Notice of Redemption,” herein).

Book Entry

The Bonds are issuable only as fully registered Bonds, without coupons. The Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Bonds. Purchasers will not receive certificates representing their ownership interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal of and interest due on the Bonds will be made directly to DTC. Principal of, redemption premium, if any, and interest on the Bonds will be paid directly to DTC by [Trustee], Louisville, Kentucky, as Bond Registrar and Paying Agent (the “Registrar and Paying Agent”). See “APPENDIX E - Book Only Entry System.”

Tax Exemption

Under the laws, regulations, rulings, and judicial decisions in effect as of the date hereof, interest, including original issue discount, if any, on the Bonds is excludible from gross income for Federal income tax purposes, pursuant to the Internal Revenue Code of 1986, as amended (the “Code”). Furthermore, interest on the Bonds will not be treated as a specific item of tax preference, under Section 57(a)(5) of the Code, in computing the alternative minimum tax. In rendering the opinions in this paragraph, Bond Counsel has assumed continuing compliance with certain covenants designed to meet the requirements of Section 103 of the Code. Bond Counsel expresses no other opinion as to the federal tax consequences of purchasing, holding or disposing of the Bonds. Interest on the Bonds is also exempt from income taxation and the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

The Issuer has not designated the Bonds as “qualified tax-exempt obligations” with respect to certain financial institutions under Section 265 of the Code.

See Appendix D hereto for the form of the opinion Bond Counsel to be delivered in connection with the Bonds.

Parties to the Issuance of the Bonds

The Registrar and Paying Agent is U.S. Bank National Association, Louisville, Kentucky. Legal matters incident to the issuance of the Bonds and with regard to the tax-exempt status of the interest thereon are subject to the approving legal opinion of Dinsmore & Shohl LLP, Covington, Kentucky, Bond Counsel. The Underwriter is identified under the heading “UNDERWRITER.” The Financial Advisor to the Issuer is Ross, Sinclair & Associates, LLC.

Authority for Issuance

Authority for the issuance of the Bonds is provided by Sections 66.011 through 66.171 of the Kentucky Revised Statutes and an ordinance (the “Ordinance”) adopted by the Fiscal Court of the Issuer on May 7, 2019.

Under Kentucky law, no county may issue bonds which, together with all other net indebtedness of the county plus the principal amount of any outstanding self-supporting obligations, is in excess of one-half of one percent (0.5%) of the value of the taxable property therein, as determined by the next preceding certified assessment, without having first secured the written approval of the State Local Debt Officer. The Issuer has notified the State Local Debt Officer of its intention to issue the Bonds and provided the State Local Debt Officer with other information relating to the Bonds. The State Local Debt Officer has provided public notice and conducted a public hearing in accordance with applicable state and local laws. The Issuer expects to receive approval from the State Local Debt Officer prior to the delivery of the Bonds.

Further, under Kentucky law, no county may issue bonds which, together with all other net indebtedness of the county plus the principal amount of any outstanding self-supporting obligations, is in excess of two percent (2.0%) of the value of the taxable property therein, as determined by the next preceding certified assessment. As described in “APPENDIX C - STATEMENT OF INDEBTEDNESS”, the issuance of the Bonds and the Issuer’s other outstanding obligations is in compliance with this requirement. See “COUNTY GOVERNMENT - Debt Limitation” herein for additional information.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued by the Issuer. The Bonds will be delivered on or about August 7, 2019 in New York, New York through DTC.

Disclosure Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. This Official Statement and continuing disclosure documents of the Issuer are intended to be made available through to the Electronic Municipal Market Access (“EMMA”) system as described in 1934 Act Release No. 59062, or any similar system that is acceptable to the Securities and Exchange Commission. Copies of the basic documentation relating to the Bonds, including the authorizing ordinance are available from the Issuer.

Additional Information

Additional information concerning this Official Statement, as well as copies of the basic documentation relating to the Bonds, is available from Ross, Sinclair & Associates, LLC, Financial Advisor to the County of Grayson, Kentucky, 325 West Main Street, Suite 300, Lexington, Kentucky 40507, Telephone (800) 255-0795 Attn: Mr. Bryan Skinner.

DESCRIPTION OF THE BONDS

General

The Bonds are dated their date of initial issuance and delivery and bear interest from their dated date at the rates set forth on the cover page of this Official Statement, calculated on the basis of a 360 day year with 30 day months. The Bonds are being issued as fully registered bonds in the denomination of \$5,000 or any integral multiple thereof.

Interest on the Bonds is payable semi-annually on June 1st and December 1st, commencing December 1, 2019. The record dates for Interest Payment Dates will be the fifteenth day of the month immediately preceding such date.

Book Entry Only System

The Bonds initially will be issued solely in book-entry form to be held in the book-entry-only system maintained by DTC. So long as such book-entry system is used, only DTC will receive or have the right to receive physical delivery of Bonds and, except as otherwise provided herein with respect to tenders by Beneficial Owners of Beneficial Ownership Interests, each as hereinafter defined, Beneficial Owners will not be or be considered to be, and will not have any rights as, holders of the Bonds. For additional information about DTC and the book-entry-only system see “APPENDIX E – Book Entry Only System.”

Redemption Provisions

Optional Redemption

The Bonds maturing on or after June 1, 2028 are subject to redemption prior to stated maturity on any date falling on or after June 1, 2027 (less than all of a single maturity to be selected by lot), in whole or in part, at a redemption price equal to the principal amount redeemed, plus accrued interest to the date of redemption.

[Mandatory Sinking Fund Redemption.

The Bonds maturing on the dates set forth below are subject to mandatory sinking fund redemption prior to maturity at a redemption price equal to the principal amount to be redeemed, plus accrued interest to the redemption date, on the dates, in the years and in the principal amounts as follows:

<u>Maturing June 1, 20__</u>		<u>Maturing June 1, 20__</u>	
<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>
June 1, 20__	\$ __, __	June 1, 20__	\$ __, __
June 1, 20__*	__, __	June 1, 20__*	__, __
<hr/>			
*Maturity]

Notice of Redemption

If less than all Bonds which are payable by their terms on the same date are to be called, the particular Bonds or portions of Bonds payable on such same date and to be redeemed shall be selected by lot by the Registrar and Paying Agent, in such manner as the Registrar and Paying Agent in its discretion may determine; provided, however, that the portion of any Bond to be redeemed shall be in the principal amount of \$5,000 or some multiple thereof, and that, in selecting Bonds for redemption, the Registrar and Paying Agent shall treat each Bond as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by \$5,000.

At least thirty (30) days before the redemption date of any Bonds the Registrar and Paying Agent shall cause a notice of such redemption either in whole or in part, signed by the Registrar and Paying Agent, to be mailed, postage prepaid, to all registered owners of Bonds to be redeemed in whole or in part at their addresses as they appear on the registration books kept by the Registrar and Paying Agent, but

* Preliminary, subject to change.

failure so to mail any such notice to any owner shall not affect the validity of the proceedings for such redemption with respect to any other owner. Each such notice shall set forth the date fixed for redemption, the redemption price to be paid and, if less than all of the Bonds being payable by their terms on a single date then outstanding shall be called for redemption, the distinctive numbers or letters, if any, of such Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed. In case any Bond is to be redeemed in part only, the notice of redemption which relates to such Bond shall state also that on or after the redemption date upon surrender of such Bonds, a new Bond in principal amount equal to the unredeemed portion of such Bonds will be issued.

On the date so designated for redemption, notice having been sent in the manner and under the conditions hereinabove provided and moneys for payment of the redemption price being held in separate accounts by the Registrar and Paying Agent for the holders of the Bonds or portions thereof to be redeemed, the Bonds or portions of Bonds so called for redemption shall become and be due and payable at the redemption price provided for redemption of such Bonds or portions of Bonds on such date, interest on the Bonds or portions of Bonds so called for redemption shall cease to accrue, and the holders of such Bonds or portions of Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof and to receive Bonds for any unredeemed portions of Bonds.

In case part but not all of an outstanding Bond shall be selected for redemption, the registered owner thereof or his attorney or legal representative shall present and surrender such Bond to the Registrar and Paying Agent for payment of the principal amount hereof so called for redemption, and the Issuer shall execute and the Registrar and Paying Agent shall authenticate and deliver to or upon the order of such registered owner or his legal representative, without charge therefor, for the unredeemed portion of the principal amount of the Bond so surrendered, a Bond of the same maturity and bearing interest at the same rate.

Security and Source of Payment for Bonds

The Bonds are general obligations of the Issuer and the full faith, credit and taxing power of the Issuer is irrevocably pledged to the payment of principal of and interest on the Bonds when due. Authority for the issuance of the Bonds is provided by Sections 66.011 through 66.171 of the Kentucky Revised Statutes and the Ordinance.

The basic security for the general obligation debt of the Issuer, including the Bonds, is the Issuer's ability to levy, and its pledge to levy, an annual tax to pay the interest on and principal of the Bonds as and when the same become due and payable. The tax must be levied in sufficient amount to pay, as the same become due, the principal of and interest on the Bonds as well as the principal of and interest on all outstanding general obligation bonds of the Issuer. The Constitution of the Commonwealth mandates the collection of a tax sufficient to pay the interest on an authorized indebtedness and the creation of a sinking fund for the payment of the principal thereof. The Ordinance levies such annual tax which shall be collected to the extent other lawfully available monies of the Issuer are not provided. The Ordinance also creates or requires the maintenance of a sinking fund into which the proceeds of such tax or other lawfully available monies of the Issuer are to be deposited for payment of the interest on and principal of the Bonds and shall not be used for any other purpose.

Chapter 9 of the Federal Bankruptcy Code contains provisions relating to the adjustment of debts of a state's political subdivisions, public agencies and instrumentalities ("eligible entity"), such as the Issuer. Under the Bankruptcy Code and in certain circumstances described therein, an eligible entity may be authorized to initiate Chapter 9 proceedings without prior notice to or consent of its creditors, which proceedings may result in material and adverse modification or alteration of the rights of its secured and unsecured creditors, including holders of its bonds and notes.

Section 66.400 of the Kentucky Revised Statutes permits a political subdivision, such as the Issuer, for the purpose of enabling such subdivision to take advantage of the provisions of the Bankruptcy Code, and for that purpose only, to file a petition stating that the subdivision is insolvent or unable to meet its debts as they mature, and that it desires to effect a plan for the composition or readjustment of its debts, and to take such further proceedings as are set forth in the Bankruptcy Code as they relate to such subdivision. In addition, a political subdivision acting as an Issuer, must obtain approval from the State Local Debt Officer before availing itself to the bankruptcy process.

Statutory Lien

In April 2019, the Kentucky General Assembly enacted amendments to KRS Chapter 58 via Senate Bill 192 (the “2019 Amendments”) to provide a statutory lien on tax revenues pledged for the benefit of general obligation debt.

The 2019 Amendments creating the statutory lien, provide, among other things, that the tax revenues pledged for the repayment of principal of, premium and interest on all general obligation bonds and notes, whether or not the pledge is stated in the bonds and notes or in the proceedings authorizing the issue and the pledge constitutes a first lien on such tax revenues. In addition, the legislation creates a statutory lien on annual appropriations for the payment of obligations subject to annual renewal, including without limitation leases entered into under KRS Chapter 58 and KRS Chapter 65.

The validity and priority of the statutory lien have not been adjudicated in any Chapter 9 bankruptcy proceeding or otherwise.

THE PROJECT

The Bonds are being issued for the purpose of (i) financing a detention center addition and other capital improvements to be owned and operated by Grayson County (ii) currently refunding the County’s outstanding General Obligation Refunding Bonds (Detention Facility Project), Series 2006 (collectively, the “Project), (iii) paying capitalized interest, and (iv) paying the costs of issuing the Bonds. The proceeds of the Bonds, after payment of the costs of issuance of the Bonds, will be deposited in a special acquisition fund and used to pay the costs of the Project.

The County heretofore issued its General Obligation Refunding Bonds (Detention Facility Project), Series 2006 refinance a portion of the Issuer’s outstanding County of Grayson, Kentucky General Obligation Bonds, Series 1999, the proceeds of which were used to finance the construction of the Grayson County Detention Center.

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SOURCES AND USES OF FUNDS

Sources:

Par Amount of Bonds	\$17,565,000.00*
[Less][Plus] Original Issue [Discount][Premium]	
Total Sources	\$ _____

Uses:

Underwriter's Discount	
Deposit to Acquisition Fund	
Deposit to Refund Series 2006 Bonds	
Deposit to Capitalized Interest Fund	
Cost of Issuance	
Total Uses	\$ _____

INVESTMENT CONSIDERATIONS

The Bonds, like all obligations of state and local government, are subject to changes in value due to changes in the condition of the tax-exempt bond market or changes in the financial condition of the Issuer.

Prospective purchasers of the Bonds may need to consult their own tax advisors before any purchase of the Bonds as to the impact of the Internal Revenue Code of 1986, as amended (the "Code"), upon their acquisition, holding or disposition of the Bonds.

It is possible under certain market conditions, or if the financial condition of the Issuer should change, that the market price of the Bonds could be adversely affected.

With regard to the risk involved in a lowering of the Issuer's bond rating, see "RATING" herein. With regard to creditors' rights, see "SECURITY AND SOURCE OF PAYMENT FOR BONDS" herein.

PROFILE OF THE ISSUER AND SURROUNDING AREA

Demographic, economic, and financial information with respect to the Issuer and the surrounding area are set forth in Appendix A attached hereto.

COUNTY GOVERNMENT

Organization

The Issuer operates pursuant to the general statutes of the Commonwealth of Kentucky governing counties.

Elected and Appointed Officials

The Issuer is governed by a Fiscal Court, comprised of a Judge/Executive, and six (6) Magistrates who are all elected to four year terms. There are no term limitations on any member of the Fiscal Court. The current members of the Fiscal Court are as follows:

* Preliminary, subject to change.

Members

Kevin Henderson, Judge/Executive
Robby Higdon, Magistrate
Darin Whitely, Magistrate
Tommy Higdon, Magistrate
Damon Hornback, Magistrate
Brian Ashley, Magistrate
Neal Saltsman, Magistrate

The Deputy Judge/Executive, County Treasurer and the County Fiscal Court Clerk are appointed by the Fiscal Court.

Financial Matters

The County Treasurer is the fiscal officer of the Issuer. The County Treasurer is responsible for the accounting, custody, and disbursement of the funds of the Issuer. The County Treasurer serves the Fiscal Court and the Judge/Executive as financial advisor in connection with the Issuer's affairs, and performs such other duties as the Fiscal Court or Judge/Executive request.

The Issuer's fiscal year commences each June 1st and ends the following June 30th.

The administrative functions of the Issuer are performed by or under the supervision of the following:

1. Establishment of overall financial policy, the Fiscal Court.
2. Planning and development, the Fiscal Court, Judge/Executive, and County Treasurer.
3. Assessment of real and personal property, the Grayson County Property Valuation Administrator.
4. Financial control functions, the County Treasurer.
5. Inspection and supervision of the accounts and reports of the Issuer as required by law, by the Auditor of Public Accounts.

Financial Management

The Fiscal Court is responsible for appropriating the funds used to support the various Issuer activities. The Fiscal Court exercises its legislative powers by budgeting, appropriating, levying taxes, issuing bonds and notes, and letting contracts for public works and services to provide this financial management.

Financial Reports and Examinations of Accounts

Each county in the Commonwealth is required to keep its accounting records and render financial reports in such a way as to: (a) determine compliance with statutory provisions; (b) determine fairly and with full disclosure the financial operations of consistent funds and account groups of the county in conformity with generally accepted governmental accounting principles; and (c) readily provide such financial data as may be required by federal revenue sharing programs.

The Issuer's accounting systems are required to be organized and operated on a fund basis. The Issuer maintains its accounts and other fiscal records on an appropriation and modified accrual basis in accordance with the procedures established and prescribed by the Kentucky Department for Local Government.

As required by law, financial reports are prepared annually by the Issuer and filed with the Kentucky Department for Local Government.

The accounting procedures prescribed by the Kentucky Department for Local Government are generally applicable to all counties in Kentucky and may be different from generally accepted government accounting principles as presented and recommended in the National Council on Governmental Accounting publication "Governmental Accounting Auditing and Financial Reporting," and the Industry Audit Guide of the American Institute of Certified Public Accountants, entitled "Audits of State and Local Governmental Units." Those publications, among other things, provide for a modified accrual basis of accounting for the general fund, all special revenue funds and the debt service fund, and for a full accrual basis of accounting for all other funds, and further provide for the preparation for each fund of balance sheets, statements of revenues and expenditures, and statements showing changes in fund balances.

Budgeting and Appropriations Procedures

Detailed provisions for county budgeting, tax levies, and appropriations are set forth in the Kentucky Revised Statutes. Counties are required to operate under an annual budget ordinance and no county may expend any moneys from a governmental or proprietary fund except in accordance with such budget. A budget proposal must be submitted to the fiscal court of the county no later than 30 days before the beginning of the fiscal year covered by the budget. Upon approval of the proposed budget, counties are required to submit the proposed budget to the State Local Finance Officer of the Commonwealth of Kentucky for approval. A proposed budget that has been approved by the State Local Finance Officer is required to be adopted by the fiscal court of the county no later than June 1st of each year or within ten days after receipt of the certified assessment from the Commonwealth of Kentucky, whichever is later. No budget ordinance may be adopted which provides for appropriations to exceed revenues in a fiscal year. The full amount estimated to be required for debt service during the budget year must be appropriated. The State Local Finance Officer is authorized to initiate proceedings to compel compliance by the county officials with the requirements imposed by Kentucky law on counties for the administration of their financial affairs.

Investment Policies

Section 66.480 of the Kentucky Revised Statutes sets forth the requirements and limitations for investments of the state's political subdivisions, including the Issuer. Under that Section, the Issuer must adopt an investment policy and may invest its funds only in the classifications of obligations which are eligible for investment, which are as follows:

- (a) Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, if delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian. These investments may be accomplished through repurchase agreements reached with sources including without limitation national or state banks chartered in Kentucky;
- (b) Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States governmental agency, including without limitation:

1. United States Treasury;
2. Export-Import Bank of the United States;
3. Farmers Home Administration;
4. Governmental National Mortgage corporation; and
5. Merchant Marine bonds;

(c) Obligations of any corporation of the United States government, including without limitation:

1. Federal Home Loan Mortgage Corporation;
2. Federal Farm Credit Banks;
3. Bank for Cooperatives;
4. Federal Intermediate Credit Banks;
5. Federal Land Banks;
6. Federal Home Loan Banks;
7. Federal National Mortgage Association; and
8. Tennessee Valley Authority;

(d) 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 or similar entity or which are collateralized, to the extent uninsured, by any obligations permitted by KRS 41.240(d);

(e) Uncollateralized certificates of deposit issued by any bank or savings and loan institutions rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;

(f) Bankers' acceptances for banks rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;

(g) Commercial paper rated in the highest category by a nationally recognized rating agency;

(h) Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities;

(i) Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, and rated in one (1) of the three highest categories by a nationally recognized rating agency; and

(j) Shares of mutual funds, each of which shall have the following characteristics;

1. The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;

2. The management company of the investment company shall have been in operation for at least five (5) years; and

3. All of the securities in the mutual fund shall be eligible investments pursuant to this section.

The Issuer's current investment policy permits all investments permitted by the laws of the Commonwealth.

Debt Limitation

Kentucky Constitution Section 158 provides that counties shall not incur indebtedness to an amount exceeding two percent (2%) of the value of the taxable property therein, to be estimated by the last assessment previous to the incurring of the indebtedness.

The foregoing limitation does not apply to the issue of renewal bonds, bonds to fund the floating indebtedness of a county, or bonds issued in the case of an emergency, when the public health or safety should so require. Subject to the limits and conditions set forth in that section and elsewhere in the Constitution, the General Assembly has the power to establish additional limits on indebtedness and conditions under which debt may be incurred by counties.

KRS 66.041 provides the same limitations as are set forth in the Constitution, describing that the limitations apply to “net indebtedness.” In calculating “net indebtedness,” KRS 66.031 provides that certain obligations are not to be considered in the calculation, including self-supporting obligations, revenue bonds, and special assessment debt. (For a complete list of exempt debt see the Statement of Indebtedness attached as Appendix C.)

Furthermore, no county may issue bonds which, together with all other net indebtedness of the county plus the principal amount of any outstanding self-supporting obligations, is in excess of one-half of one percent (0.5%) of the value of the taxable property therein, as determined by the next preceding certified assessment, without having first secured the written approval of the State Local Debt Officer. The Issuer notified the State Local Debt Officer of its intention to issue the Bonds and provided the State Local Debt Officer with other information relating to the Bonds. The State Local Debt Officer provided public notice and conducted a public hearing as required by law. The Issuer has received approval from the State Local Debt Officer to issue the Bonds.

Appendix C of this Official Statement is a Statement of Indebtedness for the Issuer, calculating the amount of the outstanding obligations of the Issuer (including the Bonds) which are subject to the total direct debt limit (2% limit). The total principal amount of general obligation debt that could be issued by the Issuer, subject to the 2% total direct debt limitation is \$28,848,594* and the Issuer’s net debt subject to such limitation presently outstanding (including the Bonds) is \$17,565,000*, leaving a balance of \$10,688,594* borrowing capacity issuable within such limitation.

However, as described below, the Issuer’s ability to incur debt in these amounts may be restricted by tax limitations. In the case of general obligation debt, both the debt limitations and tax limitations must be met.

Tax Limitation

The Kentucky Constitution Section 157 indirectly imposes a debt limitation on general obligation indebtedness of counties by limiting the tax rates counties may impose upon the value of taxable property to fifty cents (\$.50) on each hundred dollars of assessed valuation.

Section 159 of the Kentucky Constitution requires the adoption, at the time indebtedness is authorized, of an annual tax sufficient to pay the interest on contracted indebtedness and to retire indebtedness over a period not exceeding forty years. If the maximum tax rate will not result in the collection of sufficient taxes to pay indebtedness at the time the indebtedness is authorized, the two constitutional provisions operate as a limit on general obligation debt. Because this indirect debt limit results from tax limitations and the requirement to levy taxes to pay indebtedness, it has application only to debts which are payable from taxes either initially or in the event other pledged non-tax revenues prove

* Preliminary, subject to change.

to be insufficient. It does not have any application where the type of debt being issued does not pledge the credit of the county or when the debt is payable solely out of the revenues of non-tax sources, such as utility income. The tax rate limit also does not apply if the indebtedness was legally incurred (within both the direct and indirect limits) but a tax rate above the fifty cent limit becomes necessary to pay the indebtedness.

APPENDIX C of this Official Statement is a Statement of Indebtedness for the Issuer, calculating the amount of the outstanding obligations of the Issuer (including the Bonds) which are subject to the total direct debt limit (2% limit). The total principal amount of general obligation debt that could be issued by the Issuer, subject to the 2% total direct debt limitation is \$28,848,594 and the Issuer's net debt subject to such limitation presently outstanding (including the Bonds to be issued, and less the bond to be refunded) is \$17,565,000* leaving a balance of \$10,688,594* borrowing capacity issuable within such limitation.

Bond Anticipation Notes

Under Kentucky law, notes, including renewal notes, issued in anticipation of and payable from the proceeds of general obligation bonds (or renewal notes) may be issued from time to time upon the same terms and conditions as bonds. The ability of the Issuer to retire bond anticipation notes from the proceeds of the sale of either renewal notes or bonds will be dependent upon the marketability of such renewal notes or bonds under market conditions then prevailing when the bonds are issued or the notes are renewed.

Future Borrowings of the Issuer

The Issuer reserves the right to issue additional general obligation bonds in the future, although no such additional general obligation debt is presently contemplated.

LEGAL MATTERS

General Information

Legal matters incident to the issuance of the Bonds and with regard to the tax-exempt status thereof are subject to the approving legal opinion of Dinsmore & Shohl LLP, Bond Counsel. Upon delivery of the Bonds, the Bonds will be accompanied by an approving opinion dated the date of such delivery, rendered by Dinsmore & Shohl LLP. A draft of such legal opinion is attached as Appendix D.

Bond Counsel has performed certain functions to assist the Issuer in the preparation by the Issuer of this Official Statement. However, Bond Counsel assumes no responsibility for, and will express no opinion regarding the accuracy or completeness of this Official Statement or any other information relating to the Issuer or the Bonds that may be made available by the Issuer or others.

The engagement of Bond Counsel is limited to the preparation of certain of the documents contained in the transcript of proceedings related to the Bonds, and an examination of such transcript of proceedings incident to rendering its legal opinion. Bond Counsel has reviewed the information in this Official Statement under Sections entitled "INTRODUCTION," "DESCRIPTION OF THE BONDS," "THE PROJECT," "COUNTY GOVERNMENT - Debt Limitation" and "TAX LIMITATIONS" and "LEGAL MATTERS – General Information – Tax Exemption," which review did not include any independent verification of financial statements and statistical data included therein, if any.

Transcript and Closing Certificates

A complete transcript of proceedings, a no-litigation certificate, and other appropriate closing documents will be delivered by the Issuer when the Bonds are delivered to the original purchaser. The

Issuer will also provide to the original purchaser, at the time of such delivery, a certificate from the County Judge/Executive relating to the accuracy and completeness of this Official Statement.

Litigation

To the knowledge of the Issuer, no litigation or administrative action or proceeding is pending or threatened directly affecting the Bonds, the security for the Bonds or the improvements being financed from the proceeds of the Bonds. A No-Litigation Certificate to that effect will be delivered to the purchaser at the time of the delivery of the Bonds.

Tax Exemption

In the opinion of Bond Counsel for the Bonds, based upon an analysis of existing laws, regulations, rulings, and court decisions, interest on the Bonds will be excludible from gross income for Federal income tax purposes. Bond Counsel for the Bonds is also of the opinion that interest on the Bonds will not be a specific item of tax preference under Section 57 of the Internal Revenue Code of 1986 (the "Code") for purposes of the Federal alternative minimum tax. Furthermore, Bond Counsel for the Bonds is of the opinion that interest on the Bonds is exempt from income taxation and the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

A copy of the opinion of Bond Counsel for the Bonds is set forth in Appendix D, attached hereto.

The Code imposes various restrictions, conditions, and requirements relating to the qualification of the Bonds as so-called "tax-exempt" bonds. The Issuer has covenanted to comply with certain restrictions designed to ensure that interest on the Bonds will not be includable in income for federal income tax purposes. Failure to comply with these covenants could result in the Bonds not qualifying as "tax-exempt bonds," and thus interest on the Bonds being includable in the gross income of the holders thereof for federal income tax purposes. Such failure to qualify and the resulting inclusion of interest could be required retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. However, Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect either the federal or Kentucky tax status of the Bonds.

Certain requirements and procedures contained or referred to in the Ordinance and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Bonds or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Dinsmore & Shohl LLP.

Although Bond Counsel for the Bonds is of the opinion that interest on the Bonds will be excludible from gross income for Federal income tax purposes and that interest on the Bonds is excludable from gross income for Kentucky income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a Bondholder's Federal, state, or local tax liabilities. The nature and extent of these other tax consequences may depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Bond Counsel expresses no opinions regarding any tax consequences other than what is set forth in its opinion and each Bondholder or potential Bondholder is urged to consult with tax counsel with respect to the effects of purchasing, holding or disposing the Bonds on the tax liabilities of the individual or entity.

Receipt of tax-exempt interest, ownership, or disposition of the Bonds may result in other collateral federal, state, or local tax consequences for certain taxpayers. Such effects may include, without

limitation, increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed by Section 884 of the Code, increasing the federal tax liability of certain insurance companies, under Section 832 of the Code, increasing the federal tax liability and affecting the status of certain S Corporations subject to Sections 1362 and 1375 of the Code, increasing the federal tax liability of certain individual recipients of Social Security or the Railroad Retirement benefits under Section 86 of the Code and limiting the amount of the Earned Income Credit under Section 32 of the Code that might otherwise be available. Ownership of any of the Bonds may also result in the limitation of interest and certain other deductions for financial institutions and certain other taxpayers, pursuant to Section 265 of the Code. Finally, residence of the holder of the Bonds in a state other than Kentucky or being subject to tax in a state other than Kentucky may result in income or other tax liabilities being imposed by such states or their political subdivisions based on the interest or other income from the Bonds.

The Issuer has not designated the Bonds as “qualified tax-exempt obligations” under Section 265 of the Code.

Original Issue Premium

“Acquisition Premium” is the excess of the cost of a bond over the stated redemption price of such bond at maturity or, for bonds that have one or more earlier call dates, the amount payable at the next earliest call date. The Bonds that bear an interest rate that is higher than the yield (as shown on the cover page hereof), are being initially offered and sold to the public at an Acquisition Premium (the “Premium Bonds”). For federal income tax purposes, the amount of Acquisition Premium on each bond the interest on which is excludable from gross income for federal income tax purposes (“tax-exempt bonds”) must be amortized and will reduce the Holder’s adjusted basis in that bond. However, no amount of amortized Acquisition Premium on tax-exempt bonds may be deducted in determining the Holder’s taxable income for federal income tax purposes. The amount of any Acquisition Premium paid on the Premium Bonds, or on any of the Bonds, that must be amortized during any period will be based on the “constant yield” method, using the original Holder’s basis in such bonds and compounding semiannually. This amount is amortized ratably over that semiannual period on a daily basis.

Holders of any Bonds, including any Premium Bonds, purchased at an Acquisition Premium should consult their own tax advisors as to the actual effect of such Acquisition Premium with respect to their own tax situation and as to the treatment of Acquisition Premium for state tax purposes.

Original Issue Discount

The Bonds having a yield that is higher than the interest rate (as shown on the cover page hereof) are being offered and sold to the public at an original issue discount (“OID”) from the amounts payable at maturity thereon (the “Discount Bonds”). OID is the excess of the stated redemption price of a bond at maturity (the face amount) over the “issue price” of such bond. The issue price is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of bonds of the same maturity are sold pursuant to that initial offering. For federal income tax purposes, OID on each bond will accrue over the term of the bond. The amount accrued will be based on a single rate of interest, compounded semiannually (the “yield to maturity”) and, during each semi-annual period, the amount will accrue ratably on a daily basis. The OID accrued during the period that an initial purchaser of a Discount Bond at its issue price owns it is added to the purchaser’s tax basis for purposes of determining gain or loss at the maturity, redemption, sale or other disposition of that Discount Bond. In practical effect, accrued OID is treated as stated interest is treated, that is, as excludable from gross income for federal income tax purposes.

In addition, original issue discount that accrues in each year to an owner of a Discount Bond is included in the calculation of the distribution requirements of certain regulated investment companies and may result in some of the collateral federal income tax consequences discussed above. Consequently,

owners of any Discount Bond should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability, additional distribution requirements or other collateral federal income tax consequences although the owner of such Discount Bond has not received cash attributable to such original issue discount in such year.

RATING

The Series 2019 Bonds have been rated “A-” by Standard & Poor’s Ratings Service (“S&P”). The rating reflects only the view of the rating agency and any explanation of the significance of the rating may be obtained only from the rating agency. Generally, a rating agency bases its rating on information and materials furnished to it and on investigations, studies and assumptions made by the rating agency. There is no assurance that the rating will continue for any given period of time or that the rating will not be revised downward or withdrawn entirely if, in the judgment of the applicable rating agency, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

CONTINUING DISCLOSURE

In accordance with the Securities and Exchange Commission Rule 15c2-12 (the “Rule”) and so long as the Bonds are outstanding, the Issuer (the “Obligated Person”) agrees pursuant to an Undertaking (the “Disclosure Undertaking”), to cause the following information to be provided:

(i) to the Municipal Securities Rulemaking Board (“MSRB”), or any successor thereto for purposes of the Rule, through the continuing disclosure service portal provided by EMMA, or any similar system that is acceptable to the Securities and Exchange Commission, certain annual financial information and operating data, consistent with “Appendix A” and “Appendix B” of the Official Statement (“Financial Data”). The annual financial information shall be provided within 9 months of the end of the fiscal year ending June 30, commencing with the fiscal year ending June 30, 2019; provided that the audited financial statements may not be available by such date, but will be made available immediately upon delivery thereof by the auditors for the Obligated Person;

(ii) to the MSRB through EMMA, in a timely manner, not in excess of ten business days after the occurrence of the event, notice of the occurrence of the following events with respect to the Bonds:

- (a) Principal and interest payment delinquencies;
- (b) Non-payment related defaults, if material;
- (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) Substitution of credit or liquidity providers, or their failure to perform;
- (f) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security;
- (g) Modifications to rights of security holders, if material;

- (h) Bond calls, if material, and tender offers (except for mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event);
 - (i) Defeasances;
 - (j) Release, substitution or sale of property securing repayment of the securities, if material;
 - (k) Rating changes;
 - (l) Bankruptcy, insolvency, receivership or similar event of the obligated person (Note: For the purposes of this event, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person);
 - (m) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
 - (n) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
 - (o) Incurrence of a Financial Obligation of the Issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer or obligated person, any of which affect security holders, if material; and
 - (p) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer or obligated person, any of which reflect financial difficulties.
- (iii) in a timely manner, to the MSRB through EMMA, notice of a failure (of which the Obligated Persons have knowledge) of the Obligated Person to provide the required Annual Financial Information on or before the date specified in the Disclosure Agreement.

“Financial Obligation” shall mean (a) a debt obligation, (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) a guarantee of either (a) or (b). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

The Disclosure Undertaking provides bondholders, including beneficial owners of the Bonds, with certain enforcement rights in the event of a failure by the Obligated Person to comply with the terms

thereof; however, a default under the Disclosure Undertaking does not constitute an event of default under the Ordinance. The Disclosure Undertaking may also be amended or terminated under certain circumstances in accordance with the Rule as more fully described therein.

For purposes of this transaction with respect to events as set forth in the Rule:

- (a) there are no debt service reserve funds applicable to the Bonds;
- (b) there are no credit enhancements applicable to the Bonds;
- (c) there are no liquidity providers applicable to the Bonds; and
- (d) there is no property securing the repayment of the Bonds.

For the years ended June 30, 2014 through June 30, 2018, the Issuer audits, as required by state law, were, or are being, prepared by the State Auditor and were not completed in sufficient time to meet the submission deadlines, but which were subsequently filed to EMMA. The Issuer filed material event notices related to these failures to timely file for the year ended June 30, 2014 on June 22, 2015, June 30, 2015 on June 22, 2017, for the year ended June 30, 2016 on June 22, 2017, for the year ended June 30, 2017 on June 25, 2018, and for the year ended June 30, 2018 on December 19, 2018. Since the State Auditor is not in the employ of the Issuer, the Issuer cannot control the date of preparation of annual audits undertaken by the State Auditor. The Issuer is committed to meeting its continuing disclosure obligations with respect to the Annual Financial Information for all future periods, to the extent the Issuer can control the preparation process.

UNDERWRITING

The Bonds are being purchased for reoffering by _____. The Underwriter has agreed to purchase the Bonds at an aggregate purchase price of \$_____ (reflecting the par amount of the Bonds, less original issue discount of \$_____, less underwriter's discount of \$_____, plus accrued interest of \$_____). The initial public offering prices which produce the yields set forth on the cover page of this Official Statement may be changed by the Underwriter and the Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the offering prices which produce the yields set forth on the cover page.

FINANCIAL ADVISOR

Ross, Sinclair & Associates, LLC, Lexington, Kentucky, has acted as Financial Advisor to the Issuer in connection with the issuance of the Bonds and will receive a fee, payable from bond proceeds, for their services as Financial Advisor, contingent upon the issuance and sale of the Bonds.

MISCELLANEOUS

To the extent any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated to be such, such statements are made as such and not as representations of fact or certainty, and no representation is made that any of such statements will be realized. Information herein has been derived by the Issuer from official and other sources and is believed by the Issuer to be reliable, but such information other than that obtained from official records of the Issuer has not been independently confirmed or verified by the Issuer and its accuracy is not guaranteed. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the holders of the Bonds.

This Official Statement has been duly executed and delivered for and on behalf of the Issuer of Grayson, Kentucky, by its Judge/Executive.

COUNTY OF GRAYSON, KENTUCKY

By: _____
Judge/Executive

Dated: _____, 2019

APPENDIX A
COUNTY OF GRAYSON, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2019

DEMOGRAPHIC, ECONOMIC AND FINANCIAL DATA

GRAYSON COUNTY, KENTUCKY

Leitchfield, the county seat of Grayson County had an estimated 2017 population of 6,889. Leitchfield is located in western Kentucky and is 178 miles southwest of Cincinnati, Ohio; 116 miles west of Lexington, Kentucky; and 75 miles southwest of Louisville, Kentucky. Grayson County had an estimated population of 26,358 persons in 2017.

The Economic Framework

The total number of people employed in Grayson County in 2018 averaged 10,455. Manufacturing firms in the County reported 1,852 employees; trade, transportation, and public utilities 1,479 jobs; 833 people were employed in education and health services; leisure and hospitality accounted for 595 employees; and construction jobs provided 391 jobs.

Labor Supply

There is a current estimated labor supply of 7,337 persons available for industrial jobs in the labor market area. That is a 4.4% unemployment rate which is down from 2014's rate.

Transportation

Both Interstate 65 and the Western Kentucky Parkway run close to Grayson County. The nearest commercial airline service is the Louisville Kentucky International Airport, which is located 75 miles northeast of Leitchfield.

Power and Fuel

Electric power is provided to Grayson County by Big Rivers Electric Corporation, Meade County RECC, East Kentucky Power Cooperative, Farmers RECC, Nolin RECC, Kentucky Utilities, Tennessee Valley Authority and Warren RECC. Natural gas services are provided by Leitchfield Utilities.

Education

The Grayson County School System provides primary education to residents of Grayson County. There are 27 colleges and universities and 14 technology centers (ATC) within 60 miles of Leitchfield.

LABOR MARKET STATISTICS

The Leitchfield Labor Market Area includes Bullitt, Nelson, Hardin, Breckinridge, LaRue, Grayson, Ohio, Hart, Butler and Edmonson counties in Kentucky.

Population

Description	-----Estimate Year-----				
	2013	2014	2015	2016	2017
Grayson County	26,024	26,155	26,233	26,184	26,358
Leitchfield	6,822	6,866	6,879	6,874	6,889
Clarkson	881	885	888	885	885
Labor Market Area	357,213	359,175	358,280	360,231	362,627

Source: U.S. Department of Commerce, Bureau of the Census

Population Projections

Description	-----Estimate Year-----			
	2020	2025	2030	2035
Grayson County	26,433	26,489	26,440	26,275

Source: Kentucky State Data Center, University of Louisville and Kentucky Cabinet for Economic Development

Unemployment Statistics

Description	-----Year Ending December 31-----				
	2014	2015	2016	2017	2018
County of Grayson:					
Civilian Labor Force	10,862	10,615	10,876	10,898	10,995
Employment	9,949	9,914	10,175	10,230	10,455
Unemployment	913	701	701	668	540
Unemployment Rate	8.40%	6.60%	6.40%	6.10%	4.90%
State of Kentucky:					
Civilian Labor Force	2,003,842	1,976,967	2,012,279	2,052,368	2,066,483
Employment	1,874,516	1,872,326	1,909,158	1,952,066	1,977,890
Unemployment	129,326	104,641	103,121	100,302	88,594
Unemployment Rate	6.50%	5.30%	5.10%	4.90%	4.30%
US Comparable Rate:					
Unemployment Rate	6.20%	5.30%	4.90%	4.40%	3.90%

Source: The Kentucky Department for Employment Services

LOCAL GOVERNMENT

Structure

Leitchfield's local government structure consists of a mayor and six council members. The mayor serves a four-year term while the council members serve two-year terms. Grayson County is served by a judge/executive and six magistrates. The judge executive and magistrates are elected to serve a four-year term.

Planning and Zoning

Mandatory state codes enforced—Kentucky Plumbing Code, National Electric Code, Kentucky Boiler Regulations and Standards, Kentucky Building Code (modeled after BOCA code).

Sales and Use Tax

A state sales and use tax is levied at the rate of 6.0% on the purchase or lease price of taxable goods and on utility services. Local sales taxes are not levied in Kentucky.

State and Local Property Taxes

The Kentucky Constitution requires the state to tax all classes of taxable property, and state statutes allow local jurisdictions to tax only a few classes. All locally taxed property is subject to county taxes and school district taxes (either a county school district or an independent school district). Property located inside the city limits may also be subject to city property taxes. Property assessments in Kentucky are at 100% fair cash value. Accounts receivable are taxed at 85% of face value. Special local taxing jurisdictions (fire protection districts, watershed districts and sanitation districts) levy taxes within their operating areas (usually a small portion of community or county).

The table below lists the assessed property valuation of the county as reported by the Department of Revenue, Frankfort, Kentucky:

Description	-----Tax Year-----				
	2014	2015	2016	2017	2018
Real Estate	\$1,035,900,360	\$1,043,555,135	\$1,066,842,201	\$1,101,693,122	\$1,147,868,948
Tangible Property	139,395,179	140,742,575	147,212,298	156,207,126	125,117,624
Motor Vehicle	139,595,401	140,623,213	149,263,548	150,719,271	151,746,658
Watercraft	15,097,085	15,678,808	16,487,979	18,475,247	17,696,488
Totals:	\$1,329,988,025	\$1,340,599,731	\$1,379,806,026	\$1,427,094,766	\$1,442,429,718
% Increase (Decrease)	-	0.80%	2.92%	3.43%	1.07%

The table below lists the tax collection history of the County.

Tax Collection History

	Fiscal Year <u>2014</u>	Fiscal Year <u>2015</u>	Fiscal Year <u>2016</u>	Fiscal Year <u>2017</u>	Fiscal Year <u>2018</u>
% Collected Real Estate					
Total Taxes Due	\$688,149.58	\$704,338.62	\$729,656.81	\$753,308.24	\$761,677.76
Total Taxes Paid	\$637,903.10	\$653,582.31	\$675,687.34	\$701,387.28	\$709,788.66
% Collected	92.6983%	92.7938%	92.6034%	93.1076%	93.1875%

Ten Largest Taxpayers

The following table lists the ten largest real property taxpayers of the County as reported by the Boyd County Property Valuation Administrator.

<u>Rank</u>	<u>Tax Payer</u>	<u>Real Property</u>	<u>Tangible</u>	<u>Total R.E. & Tangible</u>
1.	Campbell Hausfeld LLC	\$2,900,000	\$14,614,863	\$17,514,863
2.	Core Mark Midcontinent	\$2,143,000	\$14,676,371	\$16,819,371
3.	Wal-Mart	\$6,966,700	\$7,451,452	\$14,418,152
4.	Bel USA Inc	\$3,493,527	\$4,673,462	\$8,166,989
5.	Ballie Lumber Co Inc	\$4,686,000	\$472,356	\$5,158,356
6.	Mid Park Inc	\$0	\$4,782,027	\$4,782,027
7.	Shepard Family	\$4,600,000	\$0	\$4,600,000
8.	Escue Wood Preserving	\$56,700	\$3,850,530	\$3,907,230
9.	Leitchfield 311 LLC (Walgreen)	\$3,400,000	\$0	\$3,400,000
10.	Scotty's Contracting	\$1,133,170	\$2,144,981	\$3,278,151

EDUCATION

Public Schools

Grayson County Schools

Total Enrollment (2016-2017)	4,128
Pupil-Teacher Ratio	15.2

Vocational Training

Vocational training is available at both the state vocational-technical schools and the area vocational education centers. The state vocational-technical schools are post-secondary institutions. The area vocational education centers are designed to supplement the curriculum of high school students. Both the state vocational-technical schools and the area vocational education centers offer evening courses to enable working adults to upgrade current job skills.

Arrangements can be made to provide training in the specific production skills required by an industrial plant. Instruction may be conducted either in the vocational school or in the industrial plant, depending upon the desired arrangement and the availability of special equipment.

Bluegrass State Skills Corporation

The Bluegrass State Skills Corporation, an independent public corporation created and funded by the Kentucky General Assembly, provides programs of skills training to meet the needs of business and industry from entry level to advanced training, and from upgrading present employees to retraining experienced workers.

The Bluegrass State Skills Corporation is the primary source for skills training assistance for a new or existing company. The Corporation works in partnership with other employment and job training resources and programs, as well as Kentucky's economic development activities, to package a program customized to meet the specific needs of a company.

<u>Institution</u>	<u>Location</u>	<u>Cumulative Enrollment 2017-2018</u>
Grayson County Area Vocational Education Center	Leitchfield	1138
Breckinridge County ATC	Harned	822
Butler County ATC	Morgantown	323
Ohio County ATC	Hartford	647
Warren ATC	Bowling Green	243
Meade County ATC	Brandenburg	688
Barren County ATC	Glasgow	835
Green County ATC	Greensburg	629
Bullitt County ATC	Shepherdsville	481
Nelson County ATC	Bardstown	491
Allen County Area Vocational Educational Center	Scottsville	1219
Muhlenberg County ATC	Greenville	385
Logan County Career & Technical Center	Russellville	833
Marion County ATC	Lebanon	1364

Colleges and Universities

<u>Institution</u>	<u>Location</u>	<u>Enrollment Fall 2016</u>
Western Kentucky University	Bowling Green	20,271
Brescia University	Owensboro	1,009
Kentucky Wesleyan College	Owensboro	785
Campbellsville University	Campbellsville	3,675
Bellarmino University	Louisville	3,973
Galen College of Nursing	Louisville	1,334
Lindsey Wilson College	Columbia	2,588
Louisville Presbyterian Theological Seminary	Louisville	152
Southern Baptist Theological Seminary	Louisville	3,929
Spalding University	Louisville	2,322
Sullivan University	Louisville	3,462
University of Louisville	Louisville	21,578

FINANCIAL INSTITUTIONS

Institution

Bank of Clarkson	Branch of Clarkson
The Cecilian Bank	Branch of Cecilia
Fort Knox Federal Credit Union	Branch of Radcliff
Wilson & Muir Bank & Trust Co.	Branch of Bardstown

Source: McFadden American Financial Dictionary, January-June 2019 Edition.

EXISTING INDUSTRY

Firm	Product	Total Employed
<i>Caneyville</i>		
Majors Transit Inc	Trucing, except local	24
<i>Clarkson</i>		
Kelley Beekeeping Company	Supplies and equipment for honeybee keepers	93
Roadway Construction Products	Guardrails, sign posts & highway construction	50
<i>Leitchfield</i>		
Baillie Lumber Co Inc	Kiln dried lumber	100
Bel USA Inc	Cream, processed cheese spreads(Laughing Cow), semi-soft cheese (Mini Babybel)	321
Byrd Tool Corp	Woodworking industry cutting tools	35
Campbell Hausfeld	Air compressoers, OEM pressure vessels, air tools and accessories	125
Core-Mark International Inc	Distribution center for fresh and frozen merchandise in the convenient store market	239
Leggett & Platt Inc	Sofa sleeper mechanisms and recliner hardware	200
Elite Welding and industrial Services	Metal fabrication products	32
Mid-Park Inc	Farm gate hinges, CNC machining, anchor rods and bolts	35
Modern Transmission Development (MTD)	Washing machine transmission sub-assemblies & outdoor power equipment transmission assemblies	298
OFS Brands	Dimension lumber	30
Phar Shar Manufacturing Co Inc	Men's, women's & children's outerwear & sportswear and table linens and purses	20
Plastikon Industries	Plastic injected molded components for the automotive and medical markets	151
Scotty's Contracting & Stone LLC	Crushed limestone and asphalt	36
Site Safe Products LLC	Manufactures highway and workzone safe systems	31
The New York Blower Company	Manufacturer of industries/ventilation equipment	63
<i>Millwood</i>		
Escue Wood Preserving Inc	Wood preserving	36

Source: Kentucky Directory of Manufacturer

PROPERTY TAX RATES

The following table lists the tax rates for the last five (5) available years as reported by the Department of Revenue, Frankfort, Kentucky:

	-----Tax Year 2014-----			-----Tax Year 2015-----			-----Tax Year 2016-----			-----Tax Year 2017-----			-----Tax Year 2018-----		
	Real Estate	Motor Tangible	Motor Vehicle	Real Estate	Motor Tangible	Motor Vehicle	Real Estate	Motor Tangible	Motor Vehicle	Real Estate	Motor Tangible	Motor Vehicle	Real Estate	Motor Tangible	Motor Vehicle
County-															
Extension Services	\$0.0360	\$0.0703	\$0.0172	\$0.0360	\$0.0779	\$0.0172	\$0.0403	\$0.0795	\$0.0172	\$0.0434	\$0.0852	\$0.0172	\$0.0470	\$0.0860	\$0.0172
General	\$0.0670	\$0.0790	\$0.0790	\$0.0680	\$0.0790	\$0.0790	\$0.0690	\$0.0790	\$0.0790	\$0.0690	\$0.0790	\$0.0790	\$0.0670	\$0.0790	\$0.0790
Health	\$0.0260	\$0.0300	\$0.0300	\$0.0260	\$0.0300	\$0.0300	\$0.0260	\$0.0300	\$0.0300	\$0.0260	\$0.0300	\$0.0300	\$0.0260	\$0.0300	\$0.0300
Hospital	\$0.0440	\$0.0500	\$0.0500	\$0.0450	\$0.0500	\$0.0500	\$0.0450	\$0.0500	\$0.0500	\$0.0450	\$0.0500	\$0.0500	\$0.0440	\$0.0500	\$0.0500
Library	\$0.0770	\$0.1454	\$0.3110	\$0.0850	\$0.1610	\$0.3110	\$0.0930	\$0.1828	\$0.3110	\$0.1010	\$0.1010	\$0.3110	\$0.0980	\$0.0980	\$0.3110
Totals:	\$0.2500	\$0.3747	\$0.2073	\$0.2600	\$0.3970	\$0.2073	\$0.2733	\$0.4213	\$0.2073	\$0.2844	\$0.3452	\$0.2073	\$0.2820	\$0.3430	\$0.2073
School-															
Grayson County Schools	\$0.4750	\$0.4750	\$0.4630	\$0.4900	\$0.4900	\$0.4630	\$0.5020	\$0.5020	\$0.4630	\$0.5110	\$0.5110	\$0.4630	\$0.5150	\$0.5150	\$0.4630
City-															
Caneyville	\$0.2380	\$0.3432	\$0.3000	\$0.2480	\$0.3432	\$0.3000	\$0.2430	\$0.2430	\$0.3000	\$0.2520	\$0.2520	\$0.3000	\$0.2460	\$0.2460	\$0.3000
Clarkson	\$0.0785	\$0.0798	\$0.1000	\$0.0840	\$0.0964	\$0.1000	\$0.0870	\$0.1107	\$0.1000	\$0.0870	\$0.1107	\$0.1000	\$0.0870	\$0.1107	\$0.1000
Leitchfield	\$0.1210	\$0.1860	\$0.1200	\$0.1202	\$0.2006	\$0.1200	\$0.1222	\$0.2131	\$0.1200	\$0.1220	\$0.1972	\$0.1200	\$0.1330	\$0.1761	\$0.1200

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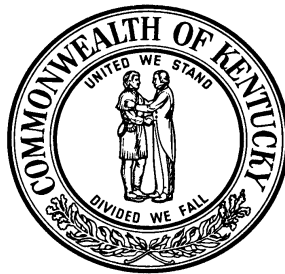
APPENDIX B
COUNTY OF GRAYSON, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2019

ANNUAL REPORT ON FINANCIAL CONDITION
COUNTY OF GRAYSON, KENTUCKY FOR FISCAL YEAR ENDING JUNE 30, 2018

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

**For The Year Ended
June 30, 2018**



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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

The Honorable Matthew G. Bevin, Governor

William M. Landrum III, Secretary

Finance and Administration Cabinet

The Honorable Kevin Henderson, Grayson County Judge/Executive

Members of the Grayson County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Grayson County Fiscal Court, for the year ended June 30, 2018, and the related notes to the financial statement which collectively comprise the Grayson County Fiscal Court's financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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



To the People of Kentucky

The Honorable Matthew G. Bevin, Governor

William M. Landrum III, Secretary

Finance and Administration Cabinet

The Honorable Kevin Henderson, Grayson County Judge/Executive

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Grayson County Fiscal Court as of June 30, 2018, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of the Grayson County Fiscal Court as of June 30, 2018, 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 Information

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

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

To the People of Kentucky

The Honorable Matthew G. Bevin, Governor

William M. Landrum III, Secretary

Finance and Administration Cabinet

The Honorable Kevin Henderson, Grayson County Judge/Executive

Members of the Grayson County Fiscal Court

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2019, on our consideration of the Grayson County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Grayson County Fiscal Court's internal control over financial reporting and compliance.

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

- 2018-001 The Grayson County Fiscal Court's Justice Center Public Properties Corporation Fund Financial Statement Was Materially Misstated
- 2018-002 The Grayson County Magistrates Were Paid An Expense Allowance For Services Not Rendered

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

January 28, 2019

GRAYSON COUNTY OFFICIALS**For The Year Ended June 30, 2018****Fiscal Court Members:**

Kevin Henderson (beginning August 22, 2017)	County Judge/Executive
Gary Logsdon (through July 31, 2017)	County Judge/Executive
Jason Dennis (beginning August 1, 2017 through August 21, 2017)	County Judge/Executive
Harold Johnson	Magistrate
Presto Gary	Magistrate
Bill Skaggs (through October 17, 2017)	Magistrate
Brenda Huffman (beginning November 27, 2017)	Magistrate
Randy Jason Dennis	Magistrate
Brad Brown	Magistrate
Curtis Wells	Magistrate

Other Elected Officials:

Clay Ratley	County Attorney
Jason Woosley	Jailer
Sherry Weedman	County Clerk
Stacie Blain	Circuit Court Clerk
Norman Chaffins	Sheriff
Ernie Perkins	Property Valuation Administrator
Joe Brad Hudson	Coroner

Appointed Personnel:

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

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

For The Year Ended June 30, 2018

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

For The Year Ended June 30, 2018

	<u>Budgeted Funds</u>		
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
RECEIPTS			
Taxes	\$ 1,793,419	\$ 746,788	\$
In Lieu Tax Payments	27,377		
Excess Fees	272,278		
Licenses and Permits	17,644		
Intergovernmental	589,428	1,906,368	10,780,191
Charges for Services			84,049
Miscellaneous	37,845	57,579	521,211
Interest	393	290	5,154
Total Receipts	<u>2,738,384</u>	<u>2,711,025</u>	<u>11,390,605</u>
DISBURSEMENTS			
General Government	1,313,493	881	
Protection to Persons and Property	384,218		7,152,275
General Health and Sanitation	108,177		
Social Services			
Recreation and Culture	55,741		
Roads		2,489,960	
Debt Service	28,131	43,041	
Capital Projects			132,049
Administration	1,212,964	351,439	2,844,828
Total Disbursements	<u>3,102,724</u>	<u>2,885,321</u>	<u>10,129,152</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(364,340)</u>	<u>(174,296)</u>	<u>1,261,453</u>
Other Adjustments to Cash (Uses)			
Financing Obligation Proceeds	303,956		
Transfers From Other Funds	100,113	450,000	
Transfers To Other Funds	(272,490)	(100,113)	(1,037,603)
Total Other Adjustments to Cash (Uses)	<u>131,579</u>	<u>349,887</u>	<u>(1,037,603)</u>
Net Change in Fund Balance	(232,761)	175,591	223,850
Fund Balance - Beginning	887,402	270,515	2,759,863
Fund Balance - Ending	<u>\$ 654,641</u>	<u>\$ 446,106</u>	<u>\$ 2,983,713</u>
Composition of Fund Balance			
Bank Balance	\$ 657,481	\$ 446,148	\$ 2,931,536
Plus: Deposits In Transit	3,957	7,350	
Less: Outstanding Checks	(6,797)	(7,392)	(197,823)
Certificates of Deposit			250,000
Fund Balance - Ending	<u>\$ 654,641</u>	<u>\$ 446,106</u>	<u>\$ 2,983,713</u>

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

GRAYSON COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2018
(Continued)

<u>Budgeted Funds</u>	
<u>Local Government Economic Assistance Fund</u>	<u>E-911 Fund</u>
\$	\$ 460,417
74,871	60,000
15,599	1,587
28	12
<u>90,498</u>	<u>522,016</u>
16,376	
26,416	505,343
4,782	
1,177	
19,761	
12,544	
5,142	
600	180,915
<u>86,798</u>	<u>686,258</u>
<u>3,700</u>	<u>(164,242)</u>
12,490	140,000
<u>12,490</u>	<u>140,000</u>
16,190	(24,242)
41,169	27,861
<u>\$ 57,359</u>	<u>\$ 3,619</u>
\$ 59,169	\$ 7,547
(1,810)	(3,928)
<u>\$ 57,359</u>	<u>\$ 3,619</u>

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

GRAYSON COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2018
(Continued)

	<u>Unbudgeted Funds</u>			<u>Total Funds</u>
	<u>Justice Center Public Properties Corporation Fund</u>	<u>Detention Center Public Properties Corporation Fund</u>	<u>Jail Commissary Fund</u>	
RECEIPTS				
Taxes	\$	\$	\$	\$ 3,000,624
In Lieu Tax Payments				27,377
Excess Fees				272,278
Licenses and Permits				17,644
Intergovernmental	765,556			14,116,414
Charges for Services				144,049
Miscellaneous			1,452,167	2,085,988
Interest	6,612	2,611	271	15,371
Total Receipts	<u>772,168</u>	<u>2,611</u>	<u>1,452,438</u>	<u>19,679,745</u>
DISBURSEMENTS				
General Government				1,330,750
Protection to Persons and Property				8,068,252
General Health and Sanitation				112,959
Social Services				1,177
Recreation and Culture			1,324,540	1,400,042
Roads				2,502,504
Debt Service	762,556	697,850		1,536,720
Capital Projects				132,049
Administration	1,500			4,592,246
Total Disbursements	<u>764,056</u>	<u>697,850</u>	<u>1,324,540</u>	<u>19,676,699</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>8,112</u>	<u>(695,239)</u>	<u>127,898</u>	<u>3,046</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds				303,956
Transfers From Other Funds		707,603		1,410,206
Transfers To Other Funds				(1,410,206)
Total Other Adjustments to Cash (Uses)		<u>707,603</u>		<u>303,956</u>
Net Change in Fund Balance	8,112	12,364	127,898	307,002
Fund Balance - Beginning	797,349	497,299	390,135	5,671,593
Fund Balance - Ending	<u>\$ 805,461</u>	<u>\$ 509,663</u>	<u>\$ 518,033</u>	<u>\$ 5,978,595</u>
Composition of Fund Balance				
Bank Balance	\$ 805,461	\$ 509,663	\$ 580,238	\$ 5,997,243
Plus: Deposits In Transit			25	11,332
Less: Outstanding Checks			(62,230)	(279,980)
Certificates of Deposit				250,000
Fund Balance - Ending	<u>\$ 805,461</u>	<u>\$ 509,663</u>	<u>\$ 518,033</u>	<u>\$ 5,978,595</u>

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

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TO THE FINANCIAL STATEMENT**

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GRAYSON COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2018

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The Grayson County Tourism Commission would have been included in the reporting entity under accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. However, under the regulatory basis they are no longer are required components of the reporting entity. To obtain a copy of the audit report contact the Grayson County Fiscal Court at 10 Public Square, Leitchfield, Kentucky, 42754.

B. Basis of Accounting

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

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

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

GRAYSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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

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

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

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

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

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

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

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

D. Budgetary Information

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

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.

GRAYSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information (Continued)

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

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

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

E. Grayson County Elected Officials

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

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

F. Deposits and Investments

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

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

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.

GRAYSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(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, 2018, 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 2018.

	General Fund	Road Fund	Jail Fund	Total Transfers In
General Fund	\$	\$ 100,113	\$	\$ 100,113
Road Fund	200,000		250,000	450,000
LGEA Fund	12,490			12,490
E-911 Fund	60,000		80,000	140,000
Detention Center Public Properties Corporation Fund			707,603	707,603
Total Transfers Out	<u>\$ 272,490</u>	<u>\$ 100,113</u>	<u>\$ 1,037,603</u>	<u>\$ 1,410,206</u>

Reason for transfers:

To move resources from and to the general fund and other funds, for budgetary purposes, to the funds that will expend them.

Note 4. Agency Trust Funds

Agency trust funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments.

The fiscal court has the following agency trust fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2018, was \$180,692.

GRAYSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 5. Long-term Debt

A. General Obligation Refunding Bonds, Series 2006 – Detention Center

In October 2006, the Detention Center Public Properties Corporation issued \$8,135,000 in General Obligation Refunding Bonds, Series 2006 for the purpose of defeasing the 1999 General Obligation Improvement Series 1999 Bonds that were used for the construction of the Detention Center. At June 30, 2018, the principal outstanding on these bonds was \$4,255,000. Future bond principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2019	\$ 540,000	\$ 157,575
2020	560,000	136,400
2021	580,000	114,310
2022	605,000	90,900
2023	630,000	66,200
2024-2025	<u>1,340,000</u>	<u>54,200</u>
Totals	<u>\$ 4,255,000</u>	<u>\$ 619,585</u>

B. Financing Obligation - Judicial Center Property

On December 10, 2004, Grayson County entered into a long-term lease agreement with Kentucky Association of Counties Leasing Trust in the amount of \$300,000 at a variable rate of interest for a period of 25 years. The financing obligation was for funding the purchase of the property for the Judicial Center. At June 30, 2018, the principal outstanding was \$180,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2019	\$ 10,000	\$ 8,560
2020	10,000	8,074
2021	15,000	7,347
2022	15,000	6,603
2023	15,000	5,857
2024-2028	75,000	18,153
2029-2030	<u>40,000</u>	<u>1,265</u>
Totals	<u>\$ 180,000</u>	<u>\$ 55,859</u>

GRAYSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 5. Long-term Debt (Continued)

C. Financing Obligation - Road Grader

In May 2006, Grayson County entered into an agreement with Kentucky Association of Counties Leasing Trust in the amount of \$140,167 at 4.3 percent interest for a period of 15 years. The funds were used for the purchase of a road grader. At June 30, 2018, the principal outstanding was \$36,029. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2019	\$ 11,767	\$ 1,769
2020	12,369	1,166
2021	11,893	516
Totals	<u>\$ 36,029</u>	<u>\$ 3,451</u>

D. Financing Obligation - Skate Park

In November 2006, Grayson County entered into an agreement with Kentucky Association of Counties Leasing Trust in the amount of \$50,000 at 4.365 percent interest for a period of 15 years. The funds were used to fund the skate park. At June 30, 2018, the principal outstanding was \$15,525. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2019	\$ 4,213	\$ 1,057
2020	4,479	787
2021	4,762	498
2022	2,071	118
Totals	<u>\$ 15,525</u>	<u>\$ 2,460</u>

E. Lease Revenue Bonds, Series 2007 - Judicial Center

On September 11, 2007, the Judicial Center Public Properties Corporation issued \$12,115,000 in Lease Revenue Bonds, Series 2007 for the purpose of constructing a new Judicial Center. The Grayson County Public Properties Corporation, Administrative Office of the Courts (AOC), and the county entered into a lease agreement for the purpose of obtaining office rental space for AOC at the Judicial Center. Grayson County and the Public Properties Corporation acted as agents for AOC in order to plan, design, and construct the Judicial Center. At June 30, 2018, these bonds were advanced and partially refunded by the Lease Revenue Refunding Bonds, Series 2015 and \$8,140,000 of lease revenue refunding bonds was issued. These bonds were paid off as scheduled as of June 30, 2018.

GRAYSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 5. Long-term Debt (Continued)

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

Grayson County Public Properties Corporation, an agency and instrumentality of the Grayson County Fiscal Court, issued Lease Revenue Refunding Bonds, Series 2015, dated April 7, 2015, for the purpose of refinancing the Lease Revenue Bonds, Series 2007 issue. On April 7, 2015, \$8,140,000 of lease revenue refunding bonds was issued. Interest is payable semi-annually on September 1 and March 1 of each year at of rate of 3 percent. Principal is payable annually on September 1 of each year. The maturity date of the lease revenue refunding bonds is September 1, 2027. The corporation entered into an annually renewable Memorandum of Understanding with the Administrative Office of The Courts (AOC), Commonwealth of Kentucky, for rental payments sufficient to pay 100 percent of the debt service on the bonds. As of June 30, 2018, bonds outstanding were \$8,140,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2019	\$ 740,000	\$ 172,687
2020	755,000	157,738
2021	775,000	142,437
2022	790,000	126,787
2023	795,000	110,938
2024-2028	<u>4,285,000</u>	<u>268,656</u>
Totals	<u>\$ 8,140,000</u>	<u>\$ 979,243</u>

G. Financing Obligation -Patcher

On June 28, 2013, Grayson County entered into an agreement with Kentucky Association of Counties Leasing Trust in the amount of \$69,200 at 2.69 percent interest for a period of ten years. The funds were used to finance the purchase of a patcher for the Road Department. At June 30, 2018, the principal outstanding was \$35,177. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2019	\$ 6,920	\$ 1,435
2020	6,920	1,151
2021	6,920	831
2022	6,920	515
2023	6,920	198
2024	<u>577</u>	<u>2</u>
Totals	<u>\$ 35,177</u>	<u>\$ 4,132</u>

GRAYSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 5. Long-term Debt (Continued)

H. Financing Obligation -Tractor/Mower

On April 6, 2017, Grayson County entered into an agreement with Kentucky Association of Counties Leasing Trust in the amount of \$129,997 at 3.431 percent interest for of period of seven years. The funds were used to finance the purchase of a tractor with mower for the Road Department. At June 30, 2018, the principal outstanding was \$92,453. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2019	\$ 18,177	\$ 2,888
2020	18,661	2,256
2021	19,158	1,608
2022	19,668	943
2023	16,789	265
Totals	<u>\$ 92,453</u>	<u>\$ 7,960</u>

I. Financing Obligation - Ambulances

On April 17, 2018, Grayson County entered into an agreement with Lease One Magnolia in the amount of \$272,118 at 3.20 percent interest for of period of five years. The funds were used to finance the purchase of two ambulances for Emergency Management Service, Incorporated. At June 30, 2018, the principal outstanding was \$244,060. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2019	\$ 47,449	\$ 6,974
2020	48,990	5,433
2021	50,582	3,842
2022	52,225	2,199
2023	44,814	539
Totals	<u>\$ 244,060</u>	<u>\$ 18,987</u>

J. Financing Obligation - EMS Equipment

On April 17, 2018, Grayson County entered into an agreement with Zoll Medical Corporation in the amount of \$52,804 with no interest for of period of two years beginning July 31, 2018. The funds were used to finance the purchase of heart monitors/defibrillators for Emergency Management Service, Incorporated. At June 30, 2018, the principal outstanding was \$52,804. Future principal requirements are:

GRAYSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 5. Long-term Debt (Continued)

J. Financing Obligation - EMS Equipment (Continued)

Fiscal Year Ending June 30	Principal
2019	\$ 20,066
2020	<u>32,738</u>
Totals	<u>\$ 52,804</u>

K. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Refunding Lease	\$ 4,775,000	\$	\$ 520,000	\$ 4,255,000	\$ 540,000
Revenue Bonds	8,710,000		570,000	8,140,000	740,000
Financing Obligations	<u>408,966</u>	<u>303,956</u>	<u>56,874</u>	<u>656,048</u>	<u>118,592</u>
Total Long-term Debt	<u>\$ 13,893,966</u>	<u>\$ 303,956</u>	<u>\$ 1,146,874</u>	<u>\$ 13,051,048</u>	<u>\$ 1,398,592</u>

Note 6. Contingencies

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

Note 7. Employee Retirement System

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

The county's contribution for FY 2016 was \$1,517,276, FY 2017 was \$1,507,470, and FY 2018 was \$1,519,876.

GRAYSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 7. Employee Retirement System (Continued)

Nonhazardous

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

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

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

The county's contribution rate for nonhazardous employees was 19.18 percent.

Hazardous

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

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

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

GRAYSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 7. Employee Retirement System (Continued)

Hazardous (Continued)

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

The county's contribution rate for hazardous employees was 31.55 percent.

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

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

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

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

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

Once members reach a minimum vesting period of 15 years, 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%. 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.

GRAYSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 7. Employee Retirement System (Continued)

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

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

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

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

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

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

D. Cost of Living Adjustments - Tier 1

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

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

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

F. Death Benefit

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

GRAYSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 7. Employee Retirement System (Continued)

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

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

Note 8. Deferred Compensation

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

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

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 9. Insurance

For the fiscal year ended June 30, 2018, the Grayson County Fiscal Court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 10. Related Party Transactions

During the year ended June 30, 2018, the fiscal court paid \$971 to a company, owned by the county judge/executive's son, for landscaping services at the Rock Creek voting house. The fiscal court paid \$35,119 to a company, owned by the jailer's sister-in-law, for uniforms. The fiscal court paid \$2,495 to a company, owned by the jailer's brother, for upholstery work. The fiscal court paid \$1,008 to a company, owned by the jail finance officer's daughter, for miscellaneous supplies. The fiscal court paid \$180 to the county treasurer's son for straw used at the Amphitheater Park.

GRAYSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 11. Conduit Debt

From time to time the county has issued bonds to provide financial assistance to various agencies for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest, in accordance with KRS 103.210. This debt may take the form of certain types of limited-obligation revenue bonds, certificates of participation, or similar debt instruments. Although conduit debt obligations bear the Grayson County Fiscal Court's name as issuer, the fiscal court has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf it is issued. Neither the fiscal court nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statement. As of June 30, 2018, conduit debt has been issued but the amount currently outstanding is not reasonably determinable.

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GRAYSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2018

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GRAYSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2018

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,789,000	\$ 1,789,000	\$ 1,793,419	\$ 4,419
In Lieu Tax Payments	23,000	23,000	27,377	4,377
Excess Fees	168,587	168,587	272,278	103,691
Licenses and Permits	18,332	18,332	17,644	(688)
Intergovernmental	483,851	483,851	589,428	105,577
Miscellaneous	49,500	49,500	37,845	(11,655)
Interest	250	250	393	143
Total Receipts	<u>2,532,520</u>	<u>2,532,520</u>	<u>2,738,384</u>	<u>205,864</u>
DISBURSEMENTS				
General Government	1,241,865	1,462,256	1,313,493	148,763
Protection to Persons and Property	74,895	387,128	384,218	2,910
General Health and Sanitation	126,490	108,690	108,177	513
Recreation and Culture	55,000	59,000	55,741	3,259
Debt Service	19,061	28,261	28,131	130
Administration	1,955,322	1,715,254	1,212,964	502,290
Total Disbursements	<u>3,472,633</u>	<u>3,760,589</u>	<u>3,102,724</u>	<u>657,865</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(940,113)</u>	<u>(1,228,069)</u>	<u>(364,340)</u>	<u>863,729</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds		303,956	303,956	
Transfers From Other Funds	100,113	100,113	100,113	
Transfers To Other Funds	(60,000)	(60,000)	(272,490)	(212,490)
Total Other Adjustments to Cash (Uses)	<u>40,113</u>	<u>344,069</u>	<u>131,579</u>	<u>(212,490)</u>
Net Change in Fund Balance	(900,000)	(884,000)	(232,761)	651,239
Fund Balance - Beginning	900,000	900,000	887,402	(12,598)
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 16,000</u>	<u>\$ 654,641</u>	<u>\$ 638,641</u>

GRAYSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 640,000	\$ 640,000	\$ 746,788	\$ 106,788
Intergovernmental	2,037,367	2,037,367	1,906,368	(130,999)
Miscellaneous	25,500	25,500	57,579	32,079
Interest	250	250	290	40
Total Receipts	<u>2,703,117</u>	<u>2,703,117</u>	<u>2,711,025</u>	<u>7,908</u>
DISBURSEMENTS				
General Government	15,000	5,000	881	4,119
Roads	2,409,500	2,694,826	2,489,960	204,866
Debt Service	43,042	43,042	43,041	1
Administration	410,462	385,136	351,439	33,697
Total Disbursements	<u>2,878,004</u>	<u>3,128,004</u>	<u>2,885,321</u>	<u>242,683</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(174,887)</u>	<u>(424,887)</u>	<u>(174,296)</u>	<u>250,591</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			450,000	450,000
Transfers To Other Funds	(100,113)	(100,113)	(100,113)	
Total Other Adjustments to Cash (Uses)	<u>(100,113)</u>	<u>(100,113)</u>	<u>349,887</u>	<u>450,000</u>
Net Change in Fund Balance	(275,000)	(525,000)	175,591	700,591
Fund Balance - Beginning	<u>275,000</u>	<u>275,000</u>	<u>270,515</u>	<u>(4,485)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (250,000)</u>	<u>\$ 446,106</u>	<u>\$ 696,106</u>

GRAYSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 10,037,400	\$ 10,037,400	\$ 10,780,191	\$ 742,791
Charges for Services	77,000	77,000	84,049	7,049
Miscellaneous	452,800	452,800	521,211	68,411
Interest	7,000	7,000	5,154	(1,846)
Total Receipts	<u>10,574,200</u>	<u>10,574,200</u>	<u>11,390,605</u>	<u>816,405</u>
DISBURSEMENTS				
Protection to Persons and Property	7,119,974	7,507,332	7,152,275	355,057
Debt Service	707,931	714,598		714,598
Capital Projects		132,049	132,049	
Administration	4,886,295	4,090,221	2,844,828	1,245,393
Total Disbursements	<u>12,714,200</u>	<u>12,444,200</u>	<u>10,129,152</u>	<u>2,315,048</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,140,000)</u>	<u>(1,870,000)</u>	<u>1,261,453</u>	<u>3,131,453</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(60,000)</u>	<u>(60,000)</u>	<u>(1,037,603)</u>	<u>(977,603)</u>
Total Other Adjustments to Cash (Uses)	<u>(60,000)</u>	<u>(60,000)</u>	<u>(1,037,603)</u>	<u>(977,603)</u>
Net Change in Fund Balance	(2,200,000)	(1,930,000)	223,850	2,153,850
Fund Balance - Beginning	<u>2,200,000</u>	<u>2,200,000</u>	<u>2,759,863</u>	<u>559,863</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 270,000</u>	<u>\$ 2,983,713</u>	<u>\$ 2,713,713</u>

GRAYSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 102,678	\$ 102,678	\$ 74,871	\$ (27,807)
Miscellaneous	1,000	1,000	15,599	14,599
Interest	40	40	28	(12)
Total Receipts	<u>103,718</u>	<u>103,718</u>	<u>90,498</u>	<u>(13,220)</u>
DISBURSEMENTS				
General Government	6,100	16,500	16,376	124
Protection to Persons and Property	28,216	28,216	26,416	1,800
General Health and Sanitation	9,000	14,000	4,782	9,218
Social Services	700	1,800	1,177	623
Recreation and Culture	20,000	20,000	19,761	239
Roads	12,551	12,551	12,544	7
Debt Service	5,143	5,143	5,142	1
Administration	42,008	25,508	600	24,908
Total Disbursements	<u>123,718</u>	<u>123,718</u>	<u>86,798</u>	<u>36,920</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(20,000)</u>	<u>(20,000)</u>	<u>3,700</u>	<u>23,700</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			12,490	12,490
Total Other Adjustments to Cash (Uses)			<u>12,490</u>	<u>12,490</u>
Net Change in Fund Balance	(20,000)	(20,000)	16,190	36,190
Fund Balance - Beginning	20,000	20,000	41,169	21,169
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 57,359</u>	<u>\$ 57,359</u>

GRAYSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018
(Continued)

	E-911 Fund			
	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 444,000	\$ 444,000	\$ 460,417	\$ 16,417
Charges for Services	60,000	60,000	60,000	
Miscellaneous	500	500	1,587	1,087
Interest	10	10	12	2
Total Receipts	<u>504,510</u>	<u>504,510</u>	<u>522,016</u>	<u>17,506</u>
DISBURSEMENTS				
Protection to Persons and Property	438,100	507,340	505,343	1,997
Administration	195,410	181,031	180,915	116
Total Disbursements	<u>633,510</u>	<u>688,371</u>	<u>686,258</u>	<u>2,113</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(129,000)</u>	<u>(183,861)</u>	<u>(164,242)</u>	<u>19,619</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>120,000</u>	<u>120,000</u>	<u>140,000</u>	<u>20,000</u>
Total Other Adjustments to Cash (Uses)	<u>120,000</u>	<u>120,000</u>	<u>140,000</u>	<u>20,000</u>
Net Change in Fund Balance	(9,000)	(63,861)	(24,242)	39,619
Fund Balance - Beginning	<u>9,000</u>	<u>27,861</u>	<u>27,861</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (36,000)</u>	<u>\$ 3,619</u>	<u>\$ 39,619</u>

GRAYSON COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2018

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.

GRAYSON COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2018

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GRAYSON COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2018

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Land	\$ 1,087,759	\$	\$	\$ 1,087,759
Buildings and Building Improvements	24,467,720	211,997		24,679,717
Vehicles and Equipment	3,616,850	453,115	34,600	4,035,365
Infrastructure	11,365,780	1,485,601		12,851,381
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Capital Assets	<u>\$ 40,538,109</u>	<u>\$ 2,150,713</u>	<u>\$ 34,600</u>	<u>\$ 42,654,222</u>

GRAYSON COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - SCHEDULE OF CAPITAL ASSETS

June 30, 2018

Note 1. Capital Assets

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

	<u>Capitalization Threshold</u>	<u>Useful Life (Years)</u>
Land	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Equipment	\$ 15,000	3-25
Vehicles	\$ 12,500	3.25
Infrastructure	\$ 20,000	10-50

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

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

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

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Grayson County Fiscal Court for the fiscal year ended June 30, 2018, and the related notes to the financial statement which collectively comprise the Grayson County Fiscal Court's financial statement and have issued our report thereon dated January 28, 2019.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section 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 2018-001 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 2018-002 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 Grayson County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 2018-002.

Views of Responsible Officials and Planned Corrective Action

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

Purpose of this Report

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

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

January 28, 2019

**GRAYSON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2018

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**GRAYSON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2018

FINANCIAL STATEMENT FINDINGS:

2018-001 The Grayson County Fiscal Court's Justice Center Public Properties Corporation Fund Financial Statement Was Materially Misstated

In fiscal year ending June 30, 2015, the Grayson County Fiscal Court received revenue in the amount of \$7,512,928 from a refunding bond. These funds were recognized in fiscal year 2015 and remained in an escrow account until fiscal year 2018. On September 1, 2017, the fiscal court transferred the funds to the Justice Center Public Properties Corporation account and then disbursed the funds. The fiscal court recognized the transfer and payment as intergovernmental receipts and debt service disbursements on their fiscal year ending June 30, 2018 Judicial Center Public Properties Corporation Fund financial statement, requiring material adjustments.

The fiscal court was unaware that reporting the transferred funds in this manner would inadvertently double post these receipts and disbursements to the Judicial Center Public Properties Corporation Fund. Materially misstated financial statements do not provide a complete and accurate overview of the county's financial position and result in noncompliance of KRS 68.210.

According to the Governmental Accounting Standards Board (GASB) statement number 7, paragraph 19, "the Board believes that an advance refunding is a single transaction consisting of two components: issuance of new debt and payment to an escrow agent to defease the old debt." Since this single transaction occurred in 2015, there would not be a transaction to record when the escrow agent issues payments for the old debt.

We recommend the Grayson County Fiscal Court ensure that correct amounts are shown on all financial statements presented to the public and to the Department for Local Government.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: It was our understanding that all activity listed on our bond bank statements had to be included on our bond financial statements. We were unaware that we had double posted the receipts and expenses when we recorded the September 2017 transferring of funds. Since the receipts and disbursements were both overstated by the exact amount, this overstatement resulted in a zero net effect and therefore our totals for 6-30-18 financial statements were correct. In the future, all advance bond refunding will be examined carefully to ensure that they are accurately reported on our bond financial statements.

Auditor's Reply: While cash balances on the financial statements were accurate, total receipts and disbursements were materially overstated.

2018-002 The Grayson County Magistrates Were Paid An Expense Allowance For Services Not Rendered

This is a repeat finding and was included in the prior year audit report as finding 2017-004. Each of Grayson County's magistrates were paid an expense allowance of \$3,600 during fiscal year ended June 30, 2018. None of the magistrates served on a fiscal court committee, which is a requirement to be eligible to receive the expense allowance. Due to lack of management oversight, the magistrates were not aware of the requirement. As a result, magistrates were paid for services not actually rendered.

KRS 64.530(6) states "[j]ustices of the peace and county commissioners shall not receive any compensation for their services on the fiscal court, other than as provided by this section; provided, however, justices of the peace and county commissioners may receive no more than three thousand six hundred dollars (\$3,600) annually or three hundred dollars (\$300) per month as an expense allowance for serving on committees of the fiscal court."

**GRAYSON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2018
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2018-002 The Grayson County Magistrates Were Paid An Expense Allowance For Services Not Rendered
(Continued)

In Polston v. King, 965 S.W.2d 143, 145 (Ky. 1998) the Kentucky Supreme Court stated “[t]he legislature modified KRS 64.530(6) in 1984 to include the language that the expense allowances were ‘for serving on committees of fiscal court.’ We agree...this language apparently bars payment for expense allowances absent the required committee service.”

We recommend the Grayson County magistrates not be paid an expense allowance unless they serve on working committees of the fiscal court.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive’s Response: At our exit conference for the 6-30-17 audit held on 11-8-18, we were informed that magistrates were required to serve on Fiscal Court committees in order to receive the \$3,600 expense allowance. At our next Fiscal Court meeting held on 11-20-18, magistrates were appointed to Fiscal Court committees.

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

GRAYSON COUNTY FISCAL COURT

For The Year Ended June 30, 2018

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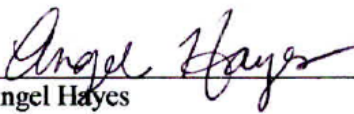
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
GRAYSON COUNTY FISCAL COURT

For The Year Ended June 30, 2018

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



Kevin Henderson
County Judge/Executive



Angel Hayes
County Treasurer

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APPENDIX C
COUNTY OF GRAYSON, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2019

STATEMENT OF INDEBTEDNESS OF TREASURER

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**STATEMENT OF INDEBTEDNESS
KY CONST. §§157 and 158
KRS §66.041**

[To be updated]

COMMONWEALTH OF KENTUCKY)
) SS
COUNTY OF GRAYSON)

The undersigned Treasurer of the County of Grayson, Commonwealth of Kentucky, does hereby certify that the following statements concerning the financial condition of said County are true and correct as they appear from records of the County:

1.	The assessed valuation of all the taxable property in the County as estimated on the last certified assessment is	\$[2,556,942,750]
2.	The total of all bonds, notes and other obligations currently issued and outstanding, including the present issue of \$17,565,000* is	\$[42,761,001]*
3.	Bonds, notes and other obligations excluded from the calculation of net indebtedness are as follows:	
(a)	Obligations issued in anticipation of the levy or collection of special assessments which are payable solely from those assessments or are otherwise self-supporting obligations	\$-0-
(b)	Obligations issued in anticipation of the collection of current taxes or revenues for the fiscal year which are payable within that fiscal year	\$-0-
(c)	Obligations, which are not self-supporting obligations, issued after June 15, 1996 by any instrumentality of the County created for the purpose of financing public projects for which there has been no pledge to the payment of debt charges of any tax of the County or for which there is no covenant by the County to collect or levy a tax to pay debt charges	\$[14,680,000]
(d)	Self-supporting obligations and other obligations for which there has been no pledge to the payment of debt charges of any tax of the County or for which there is no covenant by the County to collect or levy a tax to pay debt charges.....	\$-0-

(e)	Obligations issued to pay costs of public projects to the extent they are issued in anticipation of the receipt of, and are payable as to principal from, federal or state grants within that fiscal year.....	\$-0-
(f)	Leases entered into under KRS 65.940 to 65.956 after June 15, 1996 which are not tax-supported leases	\$[110,233]
(g)	Bonds issued in the case of an emergency, when the public health or safety should so require	\$-0-
(h)	Bonds issued to fund a floating indebtedness	\$-0-
	TOTAL EXEMPT OBLIGATIONS.....	\$[14,790,233]

4. The total of bonds, notes and other obligations subject to the debt limitation set forth in KRS 66.041 (2 minus 3) is \$[27,970,768] *

5. The total of bonds, notes and other obligations subject to the debt limitation set forth in KRS 66.041 as computed in 4 above, does not exceed 2% of the assessed valuation of all the taxable property in the County.

6. The current tax rates of the County, for other than school purposes, upon the value of the taxable property therein are \$.2530 per \$100 of assessed value for real property and \$.3202 per \$100 of assessed value for personal property which does not exceed the maximum permissible tax rate for the County as set forth in Section 157 of the Kentucky Constitution.

7. The issuance of the bonds, notes or other obligations set forth in 2 hereof will not cause the tax rates set forth in 6 hereof to increase in an amount which would exceed the maximum permissible tax rate for the County as set forth in Section 157 of the Kentucky Constitution.

IN WITNESS WHEREOF, I have hereunto set my hand this _____, 2019.

Treasurer

DINSMORE & SHOHL LLP
BOND ATTORNEYS
Covington, Kentucky

* Preliminary, subject to change.

APPENDIX D
COUNTY OF GRAYSON, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2019

FORM OF LEGAL APPROVING OPINION OF BOND COUNSEL

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The form of the legal approving opinion of Dinsmore & Shohl LLP, bond counsel, is set forth below. The actual opinion will be delivered on the date of delivery of the bonds referred to therein and may vary from the form set forth to reflect circumstances both factual and legal at the time of such delivery. Recirculation of the Final Official Statement shall create no implication that Dinsmore & Shohl LLP has reviewed any of the matters set forth in such opinion subsequent to the date of such opinion.

[Date of Delivery]

Ladies and Gentlemen:

We have examined the transcript submitted relating to the issue of \$17,565,000** General Obligation Bonds, Series 2019 (the “Bonds”) of the County of Grayson Kentucky (the “Issuer”), dated the date of their initial delivery, numbered R-1 upward and of the denomination of \$5,000 and any integral multiple thereof. The Bonds mature, bear interest, and are subject to mandatory and optional redemption upon the terms set forth therein. We have also examined a specimen Bond.

Based on this examination, we are of the opinion, based upon laws, regulations, rulings, and decisions in effect on the date hereof, that:

1. The Bonds constitute valid obligations of the Issuer in accordance with their terms, which unless paid from other sources, are payable from taxes to be levied by the Issuer without limitation as to rate.

2. Under the laws, regulations, rulings, and judicial decisions in effect as of the date hereof, interest on the Bonds is excludible from gross income for Federal income tax purposes, pursuant to the Internal Revenue Code of 1986, as amended (the “Code”). Furthermore, interest on the Bonds will not be treated as a specific item of tax preference, under Section 57(a)(5) of the Code, in computing the alternative minimum tax. In rendering the opinions in this paragraph, we have assumed continuing compliance with certain covenants designed to meet the requirements of Section 103 of the Code. We express no other opinion as to the federal or state tax consequences of purchasing, holding, or disposing of the Bonds.

3. The interest on the Bonds is not subject to taxation by the Commonwealth of Kentucky, and the Bonds are not subject to ad valorem taxation by the Commonwealth of Kentucky or by any political subdivision thereof.

The Issuer has not designated the Bonds as “qualified tax-exempt obligations” with respect to investments by certain financial institutions under Section 265 of the Code.

In giving this opinion, we have relied upon covenants and certifications of facts, estimates, and expectations made by officials of the Issuer and others contained in the transcript which we have not independently verified. It is to be understood that the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium, and other laws in effect from time to time affecting creditors’ rights, and to the exercise of judicial discretion.

Very truly yours,

15014440.3

* Preliminary, subject to change.

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APPENDIX E

BOOK-ENTRY-ONLY SYSTEM

The Bonds initially will be issued solely in book entry form to be held in the book-entry only system maintained by DTC, New York, NY. So long as such book entry system is used, only DTC will receive or have the right to receive physical delivery of Bonds and, except as otherwise provided herein with respect to Beneficial Owners (as defined below) of beneficial ownership interests, Beneficial Owners will not be or be considered to be, and will not have any rights as, owners or holders of the Bonds under the Ordinance.

The following information about the book-entry only system applicable to the Bonds has been supplied by DTC. Neither the Issuer nor the Registrar and Paying Agent make any representations, warranties or guarantees with respect to its accuracy or completeness.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond for each maturity will be issued and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a [Standard & Poor's] rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and Paying Agent and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Registrar and Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by the Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participant and not of DTC or its nominee, the Registrar and Paying Agent or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Registrar and Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Registrar and Paying Agent and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Registrar and Paying Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Registrar and Paying Agent's DTC account.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable but neither the Issuer nor the Registrar and Paying Agent take any responsibility for the accuracy thereof.

NEITHER THE ISSUER NOR THE REGISTRAR AND PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE REGISTRAR AND PAYING AGENT AS BEING A HOLDER WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PURCHASE PRICE OF TENDERED BONDS OR THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (4) THE DELIVERY BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE ORDINANCE TO BE GIVEN TO HOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER.

Each Beneficial Owner for whom a Direct Participant or Indirect Participant acquires an interest in the Bonds, as nominee, may desire to make arrangements with such Direct Participant or Indirect Participant to receive a credit balance in the records of such Direct Participant or Indirect Participant, to have all notices of redemption, elections to tender Bonds or other communications to or by DTC which may affect such Beneficial Owner forwarded in writing by such Direct Participant or Indirect Participant, and to have notification made of all debt service payments.

Beneficial Owners may be charged a sum sufficient to cover any tax, fee, or other governmental charge that may be imposed in relation to any transfer or exchange of their interests in the Bonds.

The Issuer and the Registrar and Paying Agent cannot and do not give any assurances that DTC, Direct Participants, Indirect Participants or others will distribute payments of debt service on the Bonds made to DTC or its nominee as the registered owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement.

DTC may determine to discontinue providing its service as securities depository with respect to the Bonds at any time by giving notice to the Issuer and discharging its responsibilities with respect thereto under applicable law. In such event, the Ordinance provides for issuance of fully registered Bonds ("Replacement Bonds") directly to the Beneficial Owners of Bonds, other than DTC or its nominee, only in the event that DTC resigns or is removed as the securities depository for the Bonds. Upon the occurrence of this event, the Issuer and the Registrar and Paying Agent may appoint another qualified depository. If the Issuer and the Registrar and Paying Agent fail to appoint a successor depository, the Bonds shall be withdrawn from DTC and issued in fully registered form, whereupon the Issuer shall execute and the Registrar and Paying Agent, as authenticating agent, shall authenticate and deliver Replacement Bonds in the denomination of \$5,000 or integral multiples thereof. The Issuer will pay for all costs and expenses of printing, executing and authenticating the Replacement Bonds. Transfer and exchange of such Replacement Bonds will be made as provided in the Ordinance.

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE ISSUER BELIEVES TO BE RELIABLE, BUT THE ISSUER TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.