

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

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



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

To the People of Kentucky  
The Honorable Andy Beshear, Governor  
Holly M. Johnson, Secretary  
Finance and Administration Cabinet  
The Honorable Michael R. Williams, Bourbon County Judge/Executive  
Members of the Bourbon County Fiscal Court

The enclosed report prepared by Patrick & Associates, LLC, presents the financial statement of Bourbon County, Kentucky, for the year ended June 30, 2021.

We engaged Patrick & Associates, LLC to perform the audit of this financial statement. We worked closely with the firm during our report review process; Patrick & Associates, LLC evaluated the Bourbon County Fiscal Court's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Mike Harmon  
Auditor of Public Accounts

Enclosure



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## CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT .....	1
BOURBON COUNTY OFFICIALS.....	4
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - REGULATORY BASIS.....	6
NOTES TO FINANCIAL STATEMENT.....	11
BUDGETARY COMPARISON SCHEDULES.....	31
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES.....	39
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	43
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS .....	44
SCHEDULE OF CAPITAL ASSETS.....	47
NOTES TO OTHER INFORMATION - REGULATORY BASIS SCHEDULE OF CAPITAL ASSETS.....	48
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> .....	51
REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE.....	55
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	59
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	

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PATRICK & ASSOCIATES, LLC

124 Candlewood Drive  
Winchester, KY 40391

To the People of Kentucky  
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## 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 Bourbon County Fiscal Court, for the year ended June 30, 2021, and the related notes to the financial statement which collectively comprise the Bourbon County Fiscal Court's financial statement as listed in the table of contents.

### Management's Responsibility for the Financial Statement

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

### Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statement, the financial statement is prepared by the Bourbon 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 Bourbon County Fiscal Court as of June 30, 2021, or changes in financial position or cash flows thereof for the year then ended.

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

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

### **Other Matters**

#### *Supplementary and Other Information*

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

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



To the People of Kentucky  
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**Other Matters (Continued)**

*Supplementary and Other Information (Continued)*

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

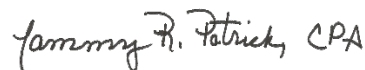
**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2022, on our consideration of the Bourbon 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 Bourbon County Fiscal Court's internal control over financial reporting and compliance.

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

- 2021-001 The Bourbon County Fiscal Court Did Not Have Adequate Controls Over Disbursements
- 2021-002 The Bourbon County Fiscal Court Has Not Accounted For Debt Payments Made By The Administrative Office Of The Courts On Their Behalf
- 2021-003 The Bourbon County Fiscal Court's Fourth Quarter Financial Statement Was Materially Misstated
- 2021-004 The Bourbon County Fiscal Court's Educational Trust Funds Financial Statements Were Not Accurate And Required Numerous Adjustments

Respectfully submitted,



Tammy R. Patrick, CPA  
Patrick & Associates, LLC

July 21, 2022

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

Michael R. Williams	County Judge/Executive
Bart N. Horne	Magistrate
Randy Taulbee	Magistrate
Tony Sosby	Magistrate
Scott Wells	Magistrate
Don E. Menke	Magistrate
Jimmy Mason	Magistrate
Andrew W. Perraut	Magistrate

**Other Elected Officials:**

Gordon D. Wilson	County Attorney
Wesley Burberry	Jailer
Richard E. Eads	County Clerk
Trina Huston	Circuit Court Clerk
Tony Asbury	Sheriff
Tim Lizer	Property Valuation Administrator
Dee Gee M. Roe	Coroner

**Appointed Personnel:**

Dana H. Boone	County Treasurer
Jan Wagoner	Chief Financial Officer
Christina Smith	Finance Officer

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

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

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

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

	<b>Budgeted Funds</b>			
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Local Government Economic Assistance Fund</b>
<b>RECEIPTS</b>				
Taxes	\$ 4,939,172	\$	\$	\$
Excess Fees	1,251,155			
Licenses and Permits	48,684			
Intergovernmental	2,007,764	1,668,625	151,158	114,572
Miscellaneous	513,075	3,921		
Interest	27,622	14,431	6,141	2,800
Total Receipts	<u>8,787,472</u>	<u>1,686,977</u>	<u>157,299</u>	<u>117,372</u>
<b>DISBURSEMENTS</b>				
General Government	2,607,717			
Protection to Persons and Property	1,984,389		61,857	67,968
General Health and Sanitation	791,377	27,762		
Social Services	255,360			
Recreation and Culture	406,092			
Roads		537,608		
Debt Service	735,042			
Capital Projects		932,747		
Administration	1,956,390	276,312	41,583	
Total Disbursements	<u>8,736,367</u>	<u>1,774,429</u>	<u>103,440</u>	<u>67,968</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>51,105</u>	<u>(87,452)</u>	<u>53,859</u>	<u>49,404</u>
<b>Other Adjustments to Cash (Uses)</b>				
Change in Payroll Revolving Account	(80,928)			
Transfers From Other Funds				
Transfers To Other Funds	(359,088)			
Total Other Adjustments to Cash (Uses)	<u>(440,016)</u>			
Net Change in Fund Balance	(388,911)	(87,452)	53,859	49,404
Fund Balance - Beginning (Restated)	<u>3,072,717</u>	<u>926,952</u>	<u>375,690</u>	<u>173,096</u>
Fund Balance - Ending	<u>\$ 2,683,806</u>	<u>\$ 839,500</u>	<u>\$ 429,549</u>	<u>\$ 222,500</u>
<b>Composition of Fund Balance</b>				
Bank Balance	\$ 1,855,566	\$ 848,529	\$ 429,549	\$ 223,393
Payroll Revolving Account Reconciled Balance	61,981			
Financing Obligation Proceeds Held in Escrow	538,826			
Plus: Deposits In Transit				
Less: Outstanding Checks	(76,122)	(9,029)		(893)
Certificates of Deposit	303,555			
Investments				
Fund Balance - Ending	<u>\$ 2,683,806</u>	<u>\$ 839,500</u>	<u>\$ 429,549</u>	<u>\$ 222,500</u>

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

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

Budgeted Funds				Unbudgeted Fund	Private Purpose Trust Funds	
Federal Grants Fund	Jail Construction Fund	Phase I Fund	American Rescue Plan Act Fund	Educational Trust Fund Checking	Talbott Clay Trust Fund	Clifton Gillespie Trust Fund
\$	\$	\$	\$	\$	\$	\$
901,897		315,000	1,921,794			
				9,562	18,468	541,147
		1,971		22,343	16	1,870
901,897		316,971	1,921,794	31,905	18,484	543,017
				157,320		
	587,264					
		317,068	5		6,323	30,189
	587,264	317,068	5	157,320	6,323	30,189
901,897	(587,264)	(97)	1,921,789	(125,415)	12,161	512,828
	359,088			268,255		
					(11,069)	(110,000)
	359,088			268,255	(11,069)	(110,000)
901,897	(228,176)	(97)	1,921,789	142,840	1,092	402,828
	228,176	220		916,389	392,016	1,889,355
\$ 901,897	\$ 0	\$ 123	\$ 1,921,789	\$ 1,059,229	\$ 393,108	\$ 2,292,183
\$ 901,897	\$	\$ 26,880	\$ 1,921,789	\$ 1,021,107	\$ 4,059	\$ 96,209
				38,122		
		(26,757)				
					22,396	21,133
					366,653	2,174,841
\$ 901,897	\$ 0	\$ 123	\$ 1,921,789	\$ 1,059,229	\$ 393,108	\$ 2,292,183

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

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

	<b>Private Purpose Trust Funds</b>			
	<b>John Marston Education Fund</b>	<b>Wilmott Memorial Trust Fund</b>	<b>Robert Meteer Trust Fund</b>	<b>Lucy Anderson Trust Fund</b>
<b>RECEIPTS</b>				
Taxes	\$	\$	\$	\$
Excess Fees				
Licenses and Permits				
Intergovernmental				
Miscellaneous	60,881	144,116	30,083	25,839
Interest	64	53	5	3
Total Receipts	<u>60,945</u>	<u>144,169</u>	<u>30,088</u>	<u>25,842</u>
<b>DISBURSEMENTS</b>				
General Government				
Protection to Persons and Property				
General Health and Sanitation				
Social Services		122,347		
Recreation and Culture				
Roads				
Debt Service				
Capital Projects				
Administration	23,157	34,764	14,338	11,552
Total Disbursements	<u>23,157</u>	<u>157,111</u>	<u>14,338</u>	<u>11,552</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>37,788</u>	<u>(12,942)</u>	<u>15,750</u>	<u>14,290</u>
<b>Other Adjustments to Cash (Uses)</b>				
Change in Payroll Revolving Account				
Transfers From Other Funds				
Transfers To Other Funds	(58,563)		(33,879)	(19,580)
Total Other Adjustments to Cash (Uses)	<u>(58,563)</u>	<u></u>	<u>(33,879)</u>	<u>(19,580)</u>
Net Change in Fund Balance	(20,775)	(12,942)	(18,129)	(5,290)
Fund Balance - Beginning (Restated)	<u>1,555,307</u>	<u>2,751,359</u>	<u>1,196,219</u>	<u>737,317</u>
Fund Balance - Ending	<u>\$ 1,534,532</u>	<u>\$ 2,738,417</u>	<u>\$ 1,178,090</u>	<u>\$ 732,027</u>
<b>Composition of Fund Balance</b>				
Bank Balance	\$ 161,923	\$ 104,550	\$ 74,889	\$ 10,237
Payroll Revolving Account Reconciled Balance				
Financing Obligation Proceeds Held in Escrow				
Plus: Deposits In Transit				
Less: Outstanding Checks				
Certificates of Deposit				
Investments	<u>1,372,609</u>	<u>2,633,867</u>	<u>1,103,201</u>	<u>721,790</u>
Fund Balance - Ending	<u>\$ 1,534,532</u>	<u>\$ 2,738,417</u>	<u>\$ 1,178,090</u>	<u>\$ 732,027</u>

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

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

Private Purpose Trust Funds				
Howard Forquer Trust Fund	Education #1 E.M. Costello, Garth, Costello, Hamilton, Champ Trust Fund	Education #2 Kennedy, Hinkle, Redmon, Goff Fund	Health and Welfare Trust Fund	Total Funds
\$	\$	\$	\$	\$ 4,939,172
				1,251,155
				48,684
				7,080,810
28,412	6,081	11,557	74	1,393,216
3	6,566	1		83,889
<u>28,415</u>	<u>12,647</u>	<u>11,558</u>	<u>74</u>	<u>14,796,926</u>
				2,607,717
				2,114,214
				819,139
				535,027
				406,092
				537,608
				1,322,306
				932,747
10,145	2,647	3,119		2,727,592
<u>10,145</u>	<u>2,647</u>	<u>3,119</u>		<u>12,002,442</u>
18,270	10,000	8,439	74	2,794,484
				(80,928)
				627,343
(20,800)	(8,201)	(6,163)		(627,343)
<u>(20,800)</u>	<u>(8,201)</u>	<u>(6,163)</u>		<u>(80,928)</u>
(2,530)	1,799	2,276	74	2,713,556
643,638	212,776	169,832	13,684	15,254,743
<u>\$ 641,108</u>	<u>\$ 214,575</u>	<u>\$ 172,108</u>	<u>\$ 13,758</u>	<u>\$ 17,968,299</u>
\$ 22,986	\$ 6,087	\$ 4,751	\$ 412	\$ 7,714,813
				61,981
				538,826
				38,122
				(112,801)
			13,346	360,430
618,122	208,488	167,357		9,366,928
<u>\$ 641,108</u>	<u>\$ 214,575</u>	<u>\$ 172,108</u>	<u>\$ 13,758</u>	<u>\$ 17,968,299</u>

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

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENT**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES .....	11
NOTE 2.	DEPOSITS AND INVESTMENTS .....	13
NOTE 3.	TRANSFERS.....	16
NOTE 4.	PRIVATE PURPOSE TRUST FUNDS.....	17
NOTE 5.	LONG-TERM DEBT .....	18
NOTE 6.	COMMITMENTS AND CONTINGENCIES .....	23
NOTE 7.	EMPLOYEE RETIREMENT SYSTEM .....	23
NOTE 8.	DEFERRED COMPENSATION.....	26
NOTE 9.	HEALTH REIMBURSEMENT ACCOUNT/FLEXIBLE SPENDING ACCOUNT .....	26
NOTE 10.	INSURANCE.....	27
NOTE 11.	CONDUIT DEBT.....	27
NOTE 12.	BOURBON COUNTY – NICHOLAS COUNTY REGIONAL JAIL AUTHORITY .....	27
NOTE 13.	TAX ABATEMENT .....	27
NOTE 14.	PRIOR PERIOD BALANCE RESTATEMENTS.....	27
NOTE 15.	PAYROLL REVOLVING ACCOUNT .....	27



**BOURBON COUNTY  
NOTES TO FINANCIAL STATEMENT**

**June 30, 2021**

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

**A. Reporting Entity**

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

**B. Basis of Accounting**

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

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

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

**C. Basis of Presentation**

**Budgeted Funds**

The fiscal court reports the following budgeted funds:

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

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

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

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

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

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

**Budgeted Funds (Continued)**

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

Federal Grants Fund - The primary purpose of this fund is to account for federal grants. The primary source of receipts for this fund are grants from the federal government.

Jail Construction Fund - The primary purpose of this fund is to account for the jail expansion project. The primary source of receipts for this fund are drawdowns from series 2016 and 2017 bond issues.

Phase I Fund - The primary purpose of this fund is to account for money received for the tobacco settlement. The primary sources of receipts for this fund are from the settlement.

American Rescue Plan Act Fund - The primary purpose of this fund is to account for federal grants under the American Rescue Plan Act. The primary source of receipts for this fund are grants from the federal government.

**Unbudgeted Fund**

The fiscal court reports the following unbudgeted fund:

Educational Trust Fund Checking - The educational trust fund checking accounts for the activities of the private purpose trust funds. The Department for Local Government does not require the fiscal court to budget this 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.

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 educational trust fund checking to be budgeted.

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

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

**E. Bourbon County Elected Officials**

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

**Note 2. Deposits and Investments**

**A. Deposits**

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

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

**Note 2. Deposits and Investments (Continued)**

**A. Deposits (Continued)**

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of the *DLG County Budget Preparation and State Local Finance Officer Policy Manual*. As of June 30, 2021, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**B. Investments**

As of June 30, 2021, the fiscal court had the following investments and maturities:

I. Investments	Cost					
	< 1 Year	1-5 Years	6-10 Years	11-15 Years	16-20 Years	> 20 Years
Fixed Income Investments:						
Government Bonds	-	\$ 14,495	\$ 78,083	-	-	-
Total:	\$	\$ 14,495	\$ 78,083	\$	\$	\$
II. Other Investments:	Cost					
Common Stock	\$ 1,597,928					
Mutual Funds	7,676,422					
Total:	9,274,350					
Total Investments	\$ 9,366,928					

**Custodial Credit Risk** is the risk that, in the event of failure of the counterparty, the fiscal court will not be able to recover the value of its certificates of deposit, investments, or collateral securities that are in the possession of an outside party. The fiscal court's investment policy requires counterparties to provide sufficient collateral or other insurance if any investments or deposits exceed the insurance provided by Federal Deposit Insurance Corporation (FDIC) or the Securities Investor Protection Corporation (SIPC). All certificates of deposit and investments must be held by the counterparty in the fiscal court's name. The fiscal court has \$9,366,928 of investments in securities held by the counterparties' trust departments in the fiscal court's name. The SIPC provides up to \$500,000 coverage for securities and cash (limit of \$250,000 for cash) per client and the counterparties maintain additional insurance coverage for loss of securities and cash above the coverage provided by FDIC and SIPC.

**Credit Risk** is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The fiscal court is statutorily limited as to credit ratings, at the time of purchase. KRS 66.480 and the fiscal court's investment policy define the following items as permissible investments:

- 1) 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 but not limited to national or state banks chartered in Kentucky;

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

**Note 2. Deposits and Investments (Continued)**

**B. Investments (Continued)**

- 2) 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 government agency, including but not limited to:
  - a. United States Treasury;
  - b. Export-Import Bank of the United States;
  - c. Farmers Home Administration;
  - d. Government National Mortgage Corporation; and
  - e. Merchant Marine bonds;
- 3) Obligations of any corporation of the United States government, including but not limited to:
  - a. Federal Home Loan Mortgage Corporation;
  - b. Federal Farm Credit Banks;
  - c. Bank for Cooperatives;
  - d. Federal Intermediate Credit Banks;
  - e. Federal Land Banks;
  - f. Federal Home Loan Banks;
  - g. Federal National Mortgage Association; and
  - h. Tennessee Valley Authority;
- 4) Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution having a physical presence in Kentucky which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations, including surety bonds, permitted by KRS 41.240(4);
- 5) Uncollateralized certificates of deposit issued by any bank or savings and loan institution having a physical presence in Kentucky rated in one of the three highest categories by a competent rating agency;
- 6) Bankers' acceptances for banks rated in one of the three highest categories by a competent rating agency;
- 7) Commercial paper rated in the highest category by a competent rating agency;
- 8) Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities;
- 9) Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, and rated in one of the three highest categories by a competent rating agency;
- 10) Shares of mutual funds and exchange traded funds, each of which shall have the following characteristics:
  - a. The mutual funds shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended.
  - b. The management company of the investment company shall have been in operation for at least five years; and
  - c. All of the securities in the mutual fund shall be eligible investments pursuant to this section;
- 11) Individual equity securities if the funds being invested are managed by a professional investment manager regulated by a federal regulatory agency. The individual equity securities shall be included within the Standard and Poor's 500 Index, and a single sector shall not exceed twenty-five percent (25%) of the equity allocation; and
- 12) Individual high-quality corporate bonds that are managed by a professional investment manager that:
  - a. Are issued, assumed, or guaranteed by a solvent institution created and existing under the laws of the United States;
  - b. Have a standard maturity of no more than ten years; and
  - c. Are rated in the three highest rating categories by at least two competent credit rating agencies.

The fiscal court is limited to investing no more than 20 percent in categories 5, 6, 7, 9, and 10 above per state statute and the fiscal court's investment policy.

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

**Note 2. Deposits and Investments (Continued)**

**B. Investments (Continued)**

The fiscal court's rated investments, as of June 30, 2021, and the ratings are presented in the table below. All issuers of the municipal bonds are located in the Commonwealth of Kentucky.

	AAA	AA2	A2	A3	BAA3	B	Unrated	Cost
Fixed Income Investments:								
Government Bonds	\$ 92,578						-	92,578
Common Stock						1,597,928		1,597,928
Mutual Funds							7,676,422	7,676,422
Total Investments	\$ 92,578	\$	\$	\$	\$	\$ 1,597,928	\$ 7,676,422	\$ 9,366,928

**Concentration of Credit Risk** is the risk of loss attributed to the magnitude of the fiscal court's investment in a single issuer. U.S. Government securities and investments in mutual funds are excluded from this risk. The fiscal court does not have 5 percent or more of the fiscal court's investments invested in any single security.

**Interest Rate Risk** is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The fiscal court's policy provides that, to the extent practicable, investments are matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities. See table above for investments listed by type and duration.

**Foreign Currency Risk** is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The fiscal court's policy historically has been to invest only in securities in U.S. denominations.

**Note 3. Transfers**

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

	Jail Construction Fund	Education Trust Fund Checking	Total Transfers Out
General Fund	\$ 359,088	\$	\$ 359,088
Talbott Clay Trust Fund		11,069	11,069
Clifton Gillespie Trust Fund		110,000	110,000
John Marston Trust Fund		58,563	58,563
Robert Meter Trust Fund		33,879	33,879
Lucy Anderson Trust Fund		19,580	19,580
Howard Forquer Trust Fund		20,800	20,800
Education #1 Trust Fund		8,201	8,201
Education #2 Trust Fund		6,163	6,163
Total Transfers In	\$ 359,088	\$ 268,255	\$ 627,343

Reason for transfers:

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

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

**Note 4. Private Purpose Trust Funds**

Private-purpose trust funds are used to report all trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

The fiscal court has the following private purpose trust funds:

John Marston Education Trust Fund - This fund was established by the will and codicil of John Marston. The will imposed that the funds be held in perpetuity, meaning that the original principal amount remains intact. The primary purpose of this fund is to account for income generated by the principal. The income, less applicable administrative costs, is to be spent for educational scholarships. The county has a committee, appointed by the county judge/executive, which decides how the money shall be disbursed based on applications received by the county judge/executive's office.

Clifton Gillespie Trust Fund - This fund was established by the will and codicil of Clifton Gillespie. The will imposed that the funds be held in perpetuity, meaning that the original principal amount remains intact. The primary purpose of this fund is to provide financial assistance with hospital care to indigent residents of Bourbon County. The county judge/executive decides who shall receive assistance from this fund by applications submitted. Each eligible person is limited to \$2,000.

Willmott Memorial Trust Fund - This fund was established by the will and codicil of James Worthington Willmott. The will imposed that the funds be held in perpetuity, meaning the original principal amount remains intact. The primary purpose of this fund is to provide financial assistance to college students, or potential college students, residing in Bourbon County, Kentucky, and the counties adjacent to Bourbon County. The county has a committee, appointed by the county judge/executive, which decides how the money shall be disbursed based on applications received by the county judge/executive's office.

Robert Meter Trust Fund - This fund was established by the will and codicil of Robert Meter. The will imposed that the funds be held in perpetuity, meaning the original principal amount remains intact. The primary purpose of this fund is to provide financial assistance to young women residing in Bourbon County, Kentucky, who want to continue their education at a college institution. The county has a committee, appointed by the county judge/executive, which decides how the money shall be disbursed based on applications received by the county judge/executive's office.

Lucy Anderson Trust Fund - This fund was established by the will and codicil of Lucy D. Anderson. The will imposed that the funds be held in perpetuity, meaning the original principal amount remains intact. The primary purpose of this fund is to provide financial assistance to male college students or potential male college students residing in Bourbon County, Kentucky. The county has a committee, appointed by the county judge/executive, which decides how the money shall be disbursed based on applications received by the county judge/executive's office.

Talbott Clay Trust Fund - This fund was established by the will and codicil of Talbott Clay. The will imposed that the funds be held in perpetuity, meaning the original principal amount remains intact. The primary purpose of this fund is to provide educational scholarships for clothing, school supplies, means of transportation to and from school, and any equipment other than tuition fees to young men and women residing in Bourbon County, Kentucky. These benefits are to be granted to the heirs of Albert R. Talbott and Ayletti H. Bedford first. The county has a committee, appointed by the county judge/executive, which decides how the money shall be disbursed based on applications received by the county judge/executive's office.

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

**Note 4. Private Purpose Trust Funds (Continued)**

Howard Forquer Trust Fund - This fund was established by the will and codicil of Hallie H. Forquer. The will imposed that the funds be held in perpetuity, meaning the original principal amount remains intact. The primary purpose of this fund is to provide financial assistance with education to young girls and boys residing in Bourbon County, Kentucky. The county has a committee, appointed by the county judge/executive, which decides how the money shall be disbursed based on applications received by the county judge/executive's office.

Education #1 E.M. Costello, Garth, Costello, Hamilton, Champ Trust Fund - This fund was established to consolidate the following trust funds: E.M. Costello Fund, Garth Fund, Thomas Costello Fund, Hamilton Fund, and Frances Champ Fund in 2014. The primary purpose of this fund is to account for income generated by the principal. The income, less applicable administrative costs, is to be spent for educational scholarships to young men and women residing in Bourbon County, Kentucky. The county has a committee, appointed by the county judge/executive, which decides how the money shall be disbursed based on applications received by the county judge/executive's office.

Education #2 Kennedy, Hinkle, Redmon, Goff Trust Fund - This fund was established to consolidate the following trust funds: Harrell-Kennedy Fund, Brooks Hinkle Fund, Lou Davis Redmon Fund, and May Goff Fund in 2014. The primary purpose of this fund is to account for income generated by the principal. The income, less applicable administrative costs, is to be spent for educational scholarships to young men and women residing in Bourbon County, Kentucky. The county has a committee, appointed by the county judge/executive, which decides how the money shall be disbursed based on applications received by the county judge/executive's office.

Health and Welfare Trust Fund - This fund was established by two deposits from a trust account for financial assistance to Bourbon County residents with medical expenses. These deposits were for the assistance of the health and welfare fund and not for the creation of the fund. The county has a committee, appointed by the county judge/executive, which decides how the money shall be disbursed based on applications received by the county judge/executive's office.

**Note 5. Long-term Debt**

**A. Direct Borrowings and Direct Placements**

**1. Kentucky Association of Counties Revenue Bonds, Series 2014A (Energy Savings Project)**

On April 3, 2014, the Kentucky Association of Counties Finance Corporation issued financing program revenue bonds, series 2014A, in the amount of \$275,000 for the purpose of acquisition and installation of energy efficiency improvements to the courthouse.

The county will be in default under the terms of the agreement if any one or more of the following occurs: (a) failure to pay any payments at the time specified herein; (b) failure to vacate or surrender the project by July 1 following an event of non-appropriation as defined in the agreement; (c) failure to observe or perform any covenant, condition or agreement on its part to be observed or performed, other than referred to in subsection (a) or (b) of this section, for a period of 30 days after written notice specifying such failure and requesting that it be remedied unless there is an agreement in writing to an extension of such time prior to its expiration.



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

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

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

**1. Kentucky Association of Counties Revenue Bonds, Series 2014A (Energy Savings Project) (Continued)**

This agreement may be terminated by any party to this agreement upon thirty days' written notice of termination delivered to the other party or parties to this agreement; provided the termination of this agreement is not effective until (i) the participant, or its successor, enters into a new continuing disclosure agreement with a disclosure agent who agrees to continue to provide, to the MSRB (Municipal Securities Rulemaking Board) and the holders of bonds, all information required to be communicated pursuant to the rules promulgated by the SEC or the MSRB, (ii) nationally recognized bond counsel or counsel expert in federal securities laws provides an opinion that the new continuing disclosure agreement is in compliance with all state and federal securities laws and (iii) notice of the termination of this agreement is provided to the MSRB. This agreement shall terminate when all of the corporation bonds are or are deemed to be no longer outstanding by reason of redemption or legal defeasance or at maturity.

Principal payments are due annually on December 20, beginning in 2014, and interest, which varies from 2.48 percent to 3.25 percent, is payable semi-annually on June 20 and December 20, beginning on June 20, 2014. As of June 30, 2021, the outstanding principal balance was \$90,000. Future principal and interest requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2022	\$ 30,000	\$ 2,725
2023	30,000	1,750
2024	30,000	775
Totals	<u>\$ 90,000</u>	<u>\$ 5,250</u>

**2. Refunding Revenue Lease, Series 2016 (Courthouse Facilities Project)**

On March 23, 2016, the Bourbon County Fiscal Court issued \$2,055,371 of refunding revenue lease, series 2016, for the purpose of refinancing the court facilities project, series 2006 bonds. The county is in default under the agreement if any one or more of the following events occur: (a) lessee's or sublessee's failure to make any lease payment (or any other payment) as it becomes due in accordance with the terms of this lease, and the failure continues for 15 days after the due date; (b) lessee's or sublessee's failure to perform or observe any other covenant, condition or agreement to be performed or observed by it under this lease or the sublease, and the failure is not cured or steps satisfactory to lessor taken to cure the failure, within 15 days after written notice of the failure to lessee by lessor; or (c) the discovery by lessor that any material statement, representation or warranty made by lessee in this lease or in any writing delivered by lessee pursuant to or in connection with this lease is false, misleading, or erroneous in any material respect. The bond requires semi-annual interest payments due on August 1 and February 1. The lease will mature on February 1, 2022. As of June 30, 2021, the outstanding principal balance was \$353,323. Future principal and interest requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2022	\$ 353,323	\$ 5,475
Totals	<u>\$ 353,323</u>	<u>\$ 5,475</u>

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

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

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

**3. Body Scanner Lease**

On July 20, 2017, the Bourbon County Fiscal Court entered into a fixed rate lease in the amount of \$185,000 for the purpose of leasing a body scanner. The county would be in default on the lease if any of the following occurred: (a) lessee's failure to make any lease payment (or any other payment) as it becomes due in accordance with the terms of this lease; (b) failure by the lessee to vacate or surrender the project by the July 1 following an event of non-appropriation as defined in the lease agreement, (c) lessee's failure to perform or observe any other covenant, condition or agreement to be performed or observed by it under this lease or any document delivered by lessee pursuant to or in connection with this lease, and the failure is not cured or steps satisfactory to lessor taken to cure the failure, within 15 days after written notice of the failure to lessee by lessor; (d) any material statement, representation or warranty made by lessee in this lease or in any writing delivered by lessee pursuant to or in connection with this lease is false, misleading or erroneous in any material respect.

Principal and interest, which is calculated at a rate of 3.5 percent, are due biannually on June 20 and December 20, beginning on December 20, 2017. The lease terminates on June 20, 2024. As of June 30, 2021, the outstanding principal balance was \$83,893. Future principal and interest requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2022	\$ 27,141	\$ 2,701
2023	27,956	1,743
2024	28,796	758
Totals	<u>\$ 83,893</u>	<u>\$ 5,202</u>

**4. Park Land Lease**

On March 10, 2020, the Bourbon County Fiscal Court entered into a lease agreement with Kentucky Association of Counties Finance Corporation (KACFCo) for \$2,750,000 of revenue bonds 2020, series A, for the purpose of developing park land. The following events are considered default for this agreement: failure by the county to pay any lease rental payments at the time specified in the agreement; failure by the county to vacate or surrender the project by the July 1 following at event of non-appropriation as defined in the agreement; and failure by the county to perform any covenant, condition or agreement on its part to be observed or performed other than referred to previously, for a period of 30 days after written notice specifying such failure and requesting that it be remedied will have been given to the county by KACFCo unless KACFCo agrees in writing to an extension of such time prior to its expiration. The bond requires semi-annual interest payments due on June 20 and December 20. The lease will mature on June 30, 2040. As of June 30, 2021, the outstanding principal balance was \$2,655,000. Future principal and interest requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2022	\$ 100,000	\$ 71,848
2023	105,000	67,747
2024	110,000	63,448
2025	115,000	58,947
2026	120,000	54,248
2027-2031	670,000	199,437
2032-2036	760,000	115,938
2037-2040	675,000	32,922
Totals	<u>\$ 2,655,000</u>	<u>\$ 664,535</u>

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

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

**B. Other Debt**

**1. General Obligation Refunding and Improvement Bonds, Series 2016 (Jail Expansion Project)**

On August 10, 2016, the Bourbon County Fiscal Court issued \$7,300,000 of general obligation refunding and improvement bonds, series 2016, for the purpose of expansion of the regional jail. The bond requires semi-annual interest payments due on December 1 and June 1. The bonds will mature on June 1, 2036. As of June 30, 2021, the outstanding principal balance was \$6,085,000.

In case of default, bondholders may proceed to protect and enforce their rights by declaring all bonds due and payable, and if all default shall be made good, then, with the written consent of the owners of not less than 50% in principal amount of the outstanding bonds, by annulling such declaration and its consequences. In the event of default, each defaulted bond shall continue to bear interest after maturity at the interest rate applicable to such respective bonds until the necessary funds are made available for the payment thereof. Future principal and interest requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2022	\$ 375,000	\$ 202,950
2023	395,000	187,950
2024	410,000	172,150
2025	420,000	155,750
2026	440,000	138,950
2027-2031	1,940,000	486,450
2032-2036	<u>2,105,000</u>	<u>193,200</u>
Totals	<u>\$ 6,085,000</u>	<u>\$ 1,537,400</u>

**2. General Obligation Refunding and Improvement Bonds, Series 2017 (Additional Funding for Jail Expansion Project)**

On February 23, 2017, the Bourbon County Fiscal Court issued \$1,735,000 of General Obligation Refunding and Improvement Bonds, Series 2017 for the purpose of additional funding for the expansion of the regional jail. The bonds require semi-annual interest payments due on December 1 and June 1. The bonds will mature on June 1, 2036. As of June 30, 2021, the outstanding principal balance was \$1,505,000.

In case of default, bondholders may proceed to protect and enforce their rights by declaring all bonds due and payable, and if all default shall be made good, then, with the written consent of the owners of not less than fifty percent (50%) in principal amount of the outstanding bonds, by annulling such declaration and its consequences. In the event of default, each defaulted bond shall continue to bear interest after maturity at the interest rate applicable to such respective bonds until the necessary funds are made available for the payment thereof. Future principal and interest requirements are:

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

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

**B. Other Debt**

**2. General Obligation Refunding and Improvement Bonds, Series 2017 (Additional Funding for Jail Expansion Project) (Continued)**

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 80,000	\$ 46,900
2023	85,000	44,500
2024	85,000	41,950
2025	90,000	39,400
2026	90,000	36,700
2027-2031	495,000	141,050
2032-2036	580,000	59,094
Totals	<u>\$ 1,505,000</u>	<u>\$ 409,594</u>

**C. Aggregate Debt Schedule**

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

Fiscal Year Ending June 30	Direct Borrowings and Direct Placements		Other Debt	
	Principal	Scheduled Interest	Principal	Scheduled Interest
2022	\$ 510,464	\$ 82,749	\$ 455,000	\$ 249,850
2023	162,956	71,240	480,000	232,450
2024	168,796	64,981	495,000	214,100
2025	115,000	58,947	510,000	195,150
2026	120,000	54,248	530,000	175,650
2027-2031	670,000	199,437	2,435,000	627,500
2032-2036	760,000	115,938	2,685,000	252,294
2037-2040	675,000	32,922		
Totals	<u>\$ 3,182,216</u>	<u>\$ 680,462</u>	<u>\$ 7,590,000</u>	<u>\$ 1,946,994</u>

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

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 3,700,207	\$	\$ 517,991	\$ 3,182,216	\$ 510,464
Other Debt	8,035,000		445,000	7,590,000	455,000
Total Long-term Debt	<u>\$ 11,735,207</u>	<u>\$ 0</u>	<u>\$ 962,991</u>	<u>\$ 10,772,216</u>	<u>\$ 965,464</u>

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

**Note 6. Commitments and Contingencies**

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

**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 2019 was \$584,894, FY 2020 was \$693,738, and FY 2021 was \$795,633.

Nonhazardous

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

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

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

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

Hazardous

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

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

**Note 7. Employee Retirement System (Continued)**

Hazardous (Continued)

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

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

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

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

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

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

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

**Note 7. Employee Retirement System (Continued)**

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (Continued)

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

Benefits are covered under KRS 78.5536.

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

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

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

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

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

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

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

D. Cost of Living Adjustments - Tier 1

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

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

**Note 7. Employee Retirement System (Continued)**

Other Post-Employment Benefits (OPEB) (Continued)

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.

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

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

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

**Note 9. Health Reimbursement Account/Flexible Spending Account**

The Bourbon County Fiscal Court established a health reimbursement account on July 1, 2009, to provide employees an additional health benefit. The county has contracted with a third-party, to administer the plan. The plan provides a debit card to each eligible employee providing \$2,000 each year to pay for qualified medical expenses.



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

**Note 10. Insurance**

For the fiscal year ended June 30, 2021, the Bourbon 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 11. Conduit Debt**

From time to time the county has issued bonds to provide financial assistance for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest, in accordance with KRS 103.210. This debt may take the form of certain types of limited-obligation revenue bonds, certificates of participation, or similar debt instruments. Although conduit debt obligations bear the Bourbon 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.

**Note 12. Bourbon County – Nicholas County Regional Jail Authority**

Under KRS 441.800, the Bourbon County Fiscal Court approved an order to form the Bourbon County - Nicholas County Regional Jail Authority, effective July 1, 2010, which houses inmates from both Bourbon and Nicholas Counties. Under KRS 441.810, the regional jail authority is composed of members appointed by the county judges/executive of the respective counties. Also, the Bourbon County Fiscal Court approved a management and use agreement, inclusive of a lease clause for the use of the Bourbon County Detention Center at \$1 per year.

**Note 13. Tax Abatement**

The occupational tax license fee for Central Motor Wheel of America, Inc., was abated under the authority of Resolution No. 04-25-19-01, adopted by the county on April 25, 2019. Central Motor Wheel of America, Inc., is eligible to receive this tax abatement due to its commitment to expand operations and create jobs and investments. The taxes are abated allowing the company to retain one-half of one percent (0.5%) of occupational tax license fees which would be paid by new employees from their salaries and wages. For fiscal year ended June 30, 2021, the Bourbon County Fiscal Court did not abate any occupational tax license fees.

**Note 14. Prior Period Balance Restatements**

The beginning fund balance of the general fund was restated and increased by \$6,625 due to prior year voided checks and an error. The beginning fund balance of the road fund was restated and increased by \$286 due to prior year voided checks. The beginning fund balance of the jail construction fund was restated and decreased by \$1,428 due to an error. The beginning fund balance of the educational trust fund checking was restated and increased by \$15,628 due to omitted bank accounts. The Ella Davis Trust Fund was removed from the financial statement because the county is not the trustee of those funds.

**Note 15. Payroll Revolving Account**

The change in the balance of the payroll revolving account as of June 30, 2021, in the amount of (\$80,928), was added to the general fund cash balance for financial reporting purposes.

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

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

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

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

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Taxes	\$ 3,778,750	\$ 3,778,750	\$ 4,939,172	\$ 1,160,422
Excess Fees	937,000	1,860,432	1,251,155	(609,277)
Licenses and Permits	81,450	81,450	48,684	(32,766)
Intergovernmental	2,710,442	2,788,688	2,007,764	(780,924)
Charges for Services	1,000	1,000		(1,000)
Miscellaneous	202,773	413,800	513,075	99,275
Interest	16,700	16,700	27,622	10,922
Total Receipts	7,728,115	8,940,820	8,787,472	(153,348)
<b>DISBURSEMENTS</b>				
General Government	2,395,225	3,341,853	2,607,717	734,136
Protection to Persons and Property	1,608,340	2,089,143	1,984,389	104,754
General Health and Sanitation	1,619,233	1,627,272	791,377	835,895
Social Services	232,866	300,156	255,360	44,796
Recreation and Culture	788,338	791,285	406,092	385,193
Debt Service	357,244	735,044	735,042	2
Capital Projects	60,000	60,000		60,000
Administration	4,009,576	3,338,774	1,956,390	1,382,384
Total Disbursements	11,070,822	12,283,527	8,736,367	3,547,160
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(3,342,707)	(3,342,707)	51,105	3,393,812
<b>Other Adjustments to Cash (Uses)</b>				
Financing Obligation Proceeds	492,707	492,707		(492,707)
Transfers To Other Funds			(359,088)	(359,088)
Total Other Adjustments to Cash (Uses)	492,707	492,707	(359,088)	(851,795)
Net Change in Fund Balance	(2,850,000)	(2,850,000)	(307,983)	2,542,017
Fund Balance - Beginning (Restated)	2,850,000	2,850,000	2,929,808	79,808
Fund Balance - Ending	\$ 0	\$ 0	\$ 2,621,825	\$ 2,621,825

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

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,160,006	\$ 1,677,229	\$ 1,668,625	\$ (8,604)
Miscellaneous	20,000	20,000	3,921	(16,079)
Interest	9,000	9,000	14,431	5,431
Total Receipts	<u>1,189,006</u>	<u>1,706,229</u>	<u>1,686,977</u>	<u>(19,252)</u>
<b>DISBURSEMENTS</b>				
General Health and Sanitation	19,505	30,000	27,762	2,238
Roads	753,568	753,692	537,608	216,084
Capital Projects	642,723	1,154,054	932,747	221,307
Administration	683,210	678,483	276,312	402,171
Total Disbursements	<u>2,099,006</u>	<u>2,616,229</u>	<u>1,774,429</u>	<u>841,800</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(910,000)</u>	<u>(910,000)</u>	<u>(87,452)</u>	<u>822,548</u>
Net Change in Fund Balance	(910,000)	(910,000)	(87,452)	822,548
Fund Balance - Beginning (Restated)	<u>910,000</u>	<u>910,000</u>	<u>926,952</u>	<u>16,952</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 839,500</u>	<u>\$ 839,500</u>

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

<b>JAIL FUND</b>				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental	\$ 141,756	\$ 141,756	\$ 151,158	\$ 9,402
Miscellaneous	5,000	5,000		(5,000)
Interest	3,200	3,200	6,141	2,941
Total Receipts	149,956	149,956	157,299	7,343
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	112,233	112,233	61,857	50,376
Administration	315,723	315,723	41,583	274,140
Total Disbursements	427,956	427,956	103,440	324,516
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(278,000)	(278,000)	53,859	331,859
Net Change in Fund Balance	(278,000)	(278,000)	53,859	331,859
Fund Balance - Beginning	278,000	278,000	375,690	97,690
Fund Balance - Ending	\$ 0	\$ 0	\$ 429,549	\$ 429,549

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

<b>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 72,308	\$ 72,308	\$ 114,572	\$ 42,264
Interest	1,100	1,100	2,800	1,700
Total Receipts	73,408	73,408	117,372	43,964
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	72,308	72,308	67,968	4,340
Capital Projects	121,100	121,100		121,100
Total Disbursements	193,408	193,408	67,968	125,440
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(120,000)	(120,000)	49,404	169,404
Net Change in Fund Balance	(120,000)	(120,000)	49,404	169,404
Fund Balance - Beginning	120,000	120,000	173,096	53,096
Fund Balance - Ending	\$ 0	\$ 0	\$ 222,500	\$ 222,500



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

<b>FEDERAL GRANTS FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$	\$ 673,706	\$ 901,897	\$ 228,191
Total Receipts		673,706	901,897	228,191
<b>DISBURSEMENTS</b>				
Administration		673,706		673,706
Total Disbursements		673,706		673,706
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			901,897	901,897
Net Change in Fund Balance			901,897	901,897
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 901,897	\$ 901,897

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

<b>JAIL CONSTRUCTION FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Total Receipts	\$	\$	\$	\$
<b>DISBURSEMENTS</b>				
Debt Service	588,700	588,700	587,264	1,436
Total Disbursements	588,700	588,700	587,264	1,436
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(588,700)	(588,700)	(587,264)	1,436
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			359,088	359,088
Total Other Adjustments to Cash (Uses)			359,088	359,088
Net Change in Fund Balance	(588,700)	(588,700)	(228,176)	360,524
Fund Balance - Beginning (Restated)	588,700	588,700	228,176	(360,524)
Fund Balance - Ending	\$ 0	\$ 0	\$ 0	\$ 0

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

	<b>PHASE I FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental	\$ 346,710	\$ 346,710	\$ 315,000	\$ (31,710)
Interest			1,971	1,971
Total Receipts	<u>346,710</u>	<u>346,710</u>	<u>316,971</u>	<u>(29,739)</u>
<b>DISBURSEMENTS</b>				
Administration	<u>346,710</u>	<u>346,710</u>	<u>317,068</u>	<u>29,642</u>
Total Disbursements	<u>346,710</u>	<u>346,710</u>	<u>317,068</u>	<u>29,642</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			(97)	(97)
Net Change in Fund Balance			(97)	(97)
Fund Balance - Beginning			<u>220</u>	<u>220</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 123</u>	<u>\$ 123</u>

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

<b>AMERICAN RESCUE PLAN ACT FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$	\$ 1,921,794	\$ 1,921,794	\$
Total Receipts		1,921,794	1,921,794	
<b>DISBURSEMENTS</b>				
Administration		1,921,794	5	1,921,789
Total Disbursements		1,921,794	5	1,921,789
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			1,921,789	1,921,789
Net Change in Fund Balance			1,921,789	1,921,789
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,921,789	\$ 1,921,789

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

**June 30, 2021**

**Note 1. Budgetary Information**

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

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

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

**Note 2. Reconciliation of the General Fund**

Other Adjustments to Cash (Uses) - Budgetary Basis	\$ (359,088)
Adjustment for Change in Payroll Revolving Account	<u>(80,928)</u>
Total Other Adjustments to Cash (Uses) - Regulatory Basis	<u>\$ (440,016)</u>
 Fund Balance - Ending - Budgetary Basis	 \$ 2,621,825
Adjustment for Payroll Revolving Account Balance	<u>61,981</u>
Total Fund Balance - Ending - Regulatory Basis	<u>\$ 2,683,806</u>

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**BOURBON COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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

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**BOURBON COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity's Identifying Number	Provided to Subrecipient	Total Federal Expenditures
<b><u>U. S. Department of Housing and Urban Development</u></b>				
<i>Passed-Through from Kentucky Department for Local Government</i>				
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	18-002	\$ 155,000	\$ 155,000
Total U.S. Department of Housing and Urban Development			155,000	155,000
<b><u>U.S. Department of Justice</u></b>				
<i>Passed-Through from Kentucky Justice and Public Safety Cabinet</i>				
Crime Victim Assistance	16.575	N/A	\$	\$ 51,521
Total U.S. Department of Justice				51,521
<b><u>U. S. Department of Treasury</u></b>				
<i>Passed-Through from Kentucky Department for Local Government</i>				
COVID-19 - Coronavirus Relief Fund	21.019	2100000198	\$	\$ 371,713
COVID-19 - Coronavirus Relief Fund	21.019	2100001374		228,191
Total U.S. Department of Treasury				599,904
Total Expenditures of Federal Awards			\$ 155,000	\$ 806,425

The accompanying notes are an integral part of this schedule.

**BOURBON COUNTY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**June 30, 2021**

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Bourbon County, Kentucky under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Bourbon County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Bourbon County, Kentucky.

**Note 2. Summary of Significant Accounting Policies**

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

**Note 3. Indirect Cost Rate**

Bourbon County has not adopted an indirect cost rate and has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

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

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

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

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

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 2,568,059	\$	\$	\$ 2,568,059
Buildings and Improvements	19,381,146			19,381,146
Vehicles and Equipment	1,886,812	57,354	210,483	1,733,683
Other Equipment	2,196,527	31,845	111,938	2,116,434
Infrastructure	10,242,336	660,026		10,902,362
Total Capital Assets	<u>\$ 36,274,880</u>	<u>\$ 749,225</u>	<u>\$ 322,421</u>	<u>\$ 36,701,684</u>

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

**June 30, 2021**

**Note 1. Capital Assets**

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

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	10-60
Buildings and Improvements	\$ 25,000	10-75
Vehicles and Equipment	\$ 2,500	3-25
Other Equipment	\$ 2,500	3-25
Infrastructure	\$ 25,000	10-50

**Note 2. Prior Period Balance Restatements**

The prior year ending balance of Vehicles and Equipment was decreased by \$41,924 and the prior year ending balance of Other Equipment was increased by \$7,097 as a result of corrections made by the county. The corrected prior year balances are reflected in the current year beginning balances of the respective categories.

**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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PATRICK & ASSOCIATES, LLC

124 Candlewood Drive  
Winchester, KY 40391

The Honorable Michael R. Williams, Bourbon County Judge/Executive  
Members of the Bourbon 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 Bourbon County Fiscal Court for the fiscal year ended June 30, 2021, and the related notes to the financial statement which collectively comprise the Bourbon County Fiscal Court's financial statement and have issued our report thereon dated July 21, 2022.

**Internal Control Over Financial Reporting**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2021-001, 2021-002, 2021-003, and 2021-004 to be material weaknesses.

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

**Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the Bourbon 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2021-001, 2021-002, 2021-003, and 2021-004.

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

Bourbon County's views and planned corrective action for the findings identified in our audit are included in the accompanying Schedule of Findings and Questioned Costs. 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,

A handwritten signature in black ink that reads "Tammy R. Patrick, CPA". The signature is written in a cursive, flowing style.

Tammy R. Patrick, CPA  
Patrick & Associates, LLC

July 21, 2022

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

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PATRICK & ASSOCIATES, LLC

124 Candlewood Drive  
Winchester, KY 40391

The Honorable Michael R. Williams, Bourbon County Judge/Executive  
Members of the Bourbon County Fiscal Court

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

Independent Auditor's Report

**Report on Compliance for Each Major Federal Program**

We have audited the Bourbon County Fiscal Court's compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Bourbon County Fiscal Court's major federal programs for the year ended June 30, 2021. The Bourbon County Fiscal Court's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

**Opinion on Each Major Federal Program**

In our opinion, the Bourbon County Fiscal Court complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

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

**Report on Internal Control over Compliance**

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

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

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

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

Respectfully submitted,



Tammy R. Patrick, CPA  
Patrick & Associates, LLC

July 21, 2022

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

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

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

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

**Section I: Summary of Auditor's Results**

***Financial Statement***

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

Internal control over financial reporting:

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

***Federal Awards***

Internal control over major programs:

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

Identification of major programs:

<u>Federal Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
21.019	COVID-19 – Coronavirus Relief Fund

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

**Section II: Financial Statement Findings**

**2021-001    The Bourbon County Fiscal Court Did Not Have Adequate Controls Over Disbursements**

This is a repeat finding and was included in the prior year audit report as finding 2020-001. During testing of disbursements, auditors noted 14 out of 52 tested invoices were paid without a purchase order being prepared. These exceptions were in the general fund and road fund. It was also noted that 5 out of 52 invoices were not located. These exceptions were in the general fund and jail fund.

The fiscal court lacks strong internal controls and oversight regarding the purchase order process, did not properly document purchases, and failed to follow the procedures as established by the Department for Local Government.

The lack of internal controls and oversight led to disbursements where funds were encumbered without ensuring that budget appropriation was available and that county officials authorized the purchase. This is neither compliant with purchasing requirements for counties per the Department for Local Government, nor an effective implementation of internal controls. This could lead to financial strain on the county due to overspending budgets or making financial decisions without adequate information.

**BOURBON COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2021**  
**(Continued)**

**Section II: Financial Statement Findings (Continued)**

2021-001 The Bourbon County Fiscal Court Did Not Have Adequate Controls Over Disbursements  
 (Continued)

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KRS 68.210 requires the state local finance officer to create a system of uniform accounts for all counties and county officials. *The County Budget Preparation and State Local Finance Officer Policy Manual* outlines requirements for handling of public funds, including required purchasing procedures for counties. These requirements prescribe that (1) purchases shall not be made without approval by the judge/executive (or designee) and/or department head and (2) purchase requests shall not be approved in an amount that exceeds the available line-item appropriation unless the necessary and appropriate transfers have been made. Furthermore, per the Department for Local Government budget manual, purchase order systems are required for fiscal courts and should be issued for all goods and services utilized by the fiscal court. This allows for fiscal court to ensure that sufficient budget allocation is available for all expenses and provides a better representation of financial status by reflecting accurate encumbrances.

We recommend the Bourbon County Fiscal Court ensure that purchase orders are obtained prior to all purchases and that all invoices are properly maintained.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: At FYE 2020 exit (Sept 2021) it was brought to our attention that all purchases must have a purchase order number. We immediately implemented the procedure into the 2021-22 fiscal year.*

2021-002 The Bourbon County Fiscal Court Has Not Accounted For Debt Payments Made By The  
 Administrative Office of the Courts On Their Behalf

---

This is a repeat finding and was included in the prior year audit report as finding 2020-002. In 2000, the Bourbon County, Kentucky, Public Properties Corporation (PPC) issued bonds to build a new judicial center in Bourbon County and in 2006, the PPC issued bonds to refinance the 2000 bonds. This financial activity was accounted for on the financial statements of the PPC and was included in the audit report under the PPC column. In April 2016, the Bourbon County Fiscal Court entered into a lease agreement to refinance the 2006 PPC bonds to realize a cost savings to the county. This refinance put the lease in Bourbon County Fiscal Court's name with lease payments due to JPMorgan Chase Bank, and limited the county's payment liability and resultant debt to only those amounts paid by the county's sublessee. The Bourbon County Fiscal Court concurrently subleased this building to the Administrative Office of the Courts (AOC) with AOC making the lease payments directory to the lessor. These sublease payments and payments to the lessor were not recorded in the county's ledgers or shown on the county's financial statement.

The Bourbon County Fiscal Court did not consider the refinancing agreement to be debt of the county due to AOC making the payments on their behalf and the activity was not included in the financial statements or on the liabilities section of the quarterly report.

By not including all debt in the county's ledgers, the financial statements do not show the full financial activity of the county. To correct this, adjustments to the county's ledgers were required to account for lease payments of \$377,800 (\$366,641 principal, and \$11,159 interest) as if they were received from AOC and paid to the lessor by the county.

The Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual's* uniform system of accounts requires all county revenue to be accounted for in the county's cash receipts journal, cash receipts ledger, and quarterly financial statement, as well as requires the treasurer to maintain a liabilities schedule that is to be submitted as part of the quarterly financial statement.

**BOURBON COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2021**  
**(Continued)**

**Section II: Financial Statement Findings (Continued)**

2021-002 The Bourbon County Fiscal Court Has Not Accounted For Debt Payments Made by the Administrative Office of the Courts On Their Behalf (Continued)

---

Even where funds are remitted directly to a lessor (bank) by a sublessee (AOC), those are funds paid on behalf of the county for a lease where the county is the named leaseholder and the county is textually responsible for the payment of the debt to the extent that payments are made by the sublessee. Additionally, the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual* provides requirements and guidance for county government's preparation and presentation of the financial statement and budget. Page 48 of the manual states, "[a]ll borrowed money received and repaid must be reflected in the county budget." Prior DLG trainings have stated that all borrowed money, which includes bond and leases should be reflected in the county budget.

We recommend the Bourbon County Fiscal Court present all financial activity in the county's financial statement as required by the regulatory basis of accounting, including activity where payments are made on behalf of the county, and present all debt of the county in Part 4 of the quarterly report as required per the DLG manual. In addition to complying with the Department for Local Government's financial statement presentation requirements, this will also ensure all debt is properly budgeted and included in the county's ledgers as needed.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: At FYE 2020 exit (Sept 2021) we were made aware that after 18 years of payments there needed to be a change in reporting. Since the 2021-22 fiscal had already began a budget amendment was prepared and adopted to make the requested changes.*

2021-003 The Bourbon County Fiscal Court's Fourth Quarter Financial Statement Was Materially Misstated

---

The Bourbon County Fiscal Court's fourth quarter financial report required adjustments to the general fund. The fiscal court maintains five certificates of deposit for the general fund and these were not included in the year-end total. There also is a Kentucky Association of Counties (KACo) park lease account for funds borrowed in a prior year but not yet expended that was not included in the general fund year-end total. Internal controls were not in place to ensure the accurate amounts were reported on the fourth quarter financial statement.

The effect of these adjustments on the fourth quarter financial statement is as follows:

- Increase the ending fund balance by \$303,555 to include the five certificates of deposit
- Increase the ending fund balance by \$538,826 to include the park lease funds held in escrow

Overall, a material misstatement of the ending fund balance of the general fund of \$842,381.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual*. Those standards require an accurate financial statement. Furthermore, good internal controls over the processing and review of financial reporting could detect these omissions before the fourth quarter financial statement was finalized and submitted to the Department for Local Government.

To comply with regulatory reporting requirements, we recommend the fiscal court implement adequate internal controls, oversight, and review procedures to ensure all activity is accurately recorded on the fourth quarter financial statement.

**BOURBON COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2021**  
**(Continued)**

**Section II: Financial Statement Findings (Continued)**

2021-003 The Bourbon County Fiscal Court's Fourth Quarter Financial Statement Was Materially Misstated  
 (Continued)

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Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: We will comply with regulatory reporting requirements and implement adequate internal controls and review procedure to ensure all activity is accurately recorded on the fourth quarter financial statement.*

2021-004 The Bourbon County Fiscal Court's Educational Trust Funds Financial Statements Were Not  
 Accurate And Required Numerous Adjustments

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The Bourbon County Fiscal Court's Educational Trust Funds have two separate financial statements. One is for the checking accounts that are combined into one unbudgeted fund, and it is prepared by the county treasurer. The other is for the combined private purpose trust investment accounts, also unbudgeted, and it is prepared by an accountant. Neither of these financial statements were accurate and both required adjustments. Internal controls were not in place to ensure the educational trust fund financial statements were accurately reported.

The effect of these adjustments on the educational trust fund financial statement prepared by the treasurer is as follows:

- Interest receipts of \$1,083,834 reclassified to Beginning Balance of \$857,822, Transfers In of \$222,012, and Miscellaneous receipts of \$4,000.
- Miscellaneous receipts of \$2,104 reclassified to Beginning Balance.
- Added Interest receipts of \$223, Transfers In of \$8,122, Beginning Balance of \$56,463 and Ending Balance of \$64,808 to account for an omitted bank account and its activity.
- Added Deposits In-transit/Transfers In of \$38,122 from other private purpose trust funds.
- Added \$100 to Ending Balance for an omitted bank account.
- Subtracted unidentified Interest receipts of \$15,073 and added unidentified Miscellaneous receipts of \$88 and Social Services disbursements of \$750, for a net reduction of \$15,735 to Ending Balance.

The effect of these adjustments on the educational trust fund financial statement prepared by the accountant is as follows:

- Added Interest receipts of \$15 and Beginning Balance of \$22,381 to account for three certificates of deposit for the Talbott Clay Trust Fund, increasing the Ending Balance by \$22,396.
- Added Interest receipts of \$5 and Beginning Balance of \$21,127 to account for three certificates of deposit for the Clifton Gillespie Trust Fund, increasing the Ending Balance by \$21,132.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual*. Those standards require an accurate financial statement. Although these educational trust funds are not required to be budgeted, they still require inclusion on the county's audited financial statement and need to be accurate. Furthermore, good internal controls over the processing and review of financial reporting could detect these errors. We recommend the fiscal court implement adequate internal controls, oversight, and review procedures to ensure all activity is accurately recorded on both educational trust fund financial statements.

**BOURBON COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2021**  
**(Continued)**

**Section II: Financial Statement Findings (Continued)**

2021-004 The Bourbon County Fiscal Court's Educational Trust Funds Financial Statements Were Not Accurate And Required Numerous Adjustments (Continued)

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Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: We will implement adequate internal controls, oversight, and review procedures to ensure all activity is accurately recorded on the Educational Trust Fund financial statements.*

**Section III: Federal Award Findings And Questioned Costs**

None.

**Section IV: Summary Schedule of Prior Audit Findings**

Finding Number	Prior Year Finding Title	Status	Corrective Action
2020-001	The Bourbon County Fiscal Court Did Not Have Adequate Controls Over Disbursements	Unresolved	See current year finding 2021-001
2020-002	The Bourbon County Fiscal Court Has Not Accounted For Debt Payments Made By The Administrative Office Of The Courts On Their Behalf	Unresolved	See current year finding 2021-002

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

**BOURBON COUNTY FISCAL COURT**

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

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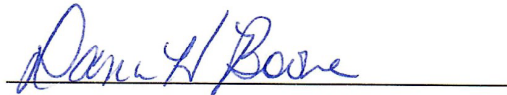
CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE  
BOURBON COUNTY FISCAL COURT

For The Year Ended June 30, 2021

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

A handwritten signature in blue ink, reading "Michael H. Williams", written over a horizontal line.

County Judge/Executive

A handwritten signature in blue ink, reading "Dan H. Boone", written over a horizontal line.

County Treasurer