

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

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



**MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)**

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



CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT .....	1
BELL COUNTY OFFICIALS .....	4
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - REGULATORY BASIS.....	6
NOTES TO FINANCIAL STATEMENT.....	10
BUDGETARY COMPARISON SCHEDULES.....	25
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES.....	33
SCHEDULE OF CAPITAL ASSETS.....	37
NOTES TO OTHER INFORMATION - REGULATORY BASIS SCHEDULE OF CAPITAL ASSETS.....	38
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> .....	41
SCHEDULE OF FINDINGS AND RESPONSES.....	45
APPENDIX A: CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS	

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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 Albey Brock, Bell County Judge/Executive  
Members of the Bell County Fiscal Court

Independent Auditor's Report

**Report on the Financial Statement**

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Bell County Fiscal Court, for the year ended June 30, 2019, and the related notes to the financial statement which collectively comprise the Bell County Fiscal Court's financial statement as listed in the table of contents.

**Management's Responsibility for the Financial Statement**

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

**Auditor's Responsibility**

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

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

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



To the People of Kentucky  
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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 Bell 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 Bell County Fiscal Court as of June 30, 2019, or changes in financial position or cash flows thereof for the year then ended.

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

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of the Bell County Fiscal Court as of June 30, 2019, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

### **Other Matters**

#### *Supplementary and Other Information*

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

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

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

To the People of Kentucky  
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The Honorable Albey Brock, Bell County Judge/Executive  
Members of the Bell County Fiscal Court

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2020, on our consideration of the Bell 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 Bell County Fiscal Court's internal control over financial reporting and compliance.

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

- 2019-001 The Bell County Fiscal Court Did Not Follow Proper Procurement Procedures For Purchases Over \$20,000
- 2019-002 The Bell County Jail Commissary Does Not Have Segregation Of Duties Over Receipts, Disbursements, And The Bank Reconciliation Process

Respectfully submitted,



Mike Harmon  
Auditor of Public Accounts

June 10, 2020

**BELL COUNTY OFFICIALS**  
**For The Year Ended June 30, 2019**

**Fiscal Court Members:**

Albey Brock	County Judge/Executive
Eddie Saylor	Magistrate
David Bo Bush	Magistrate
Lonnie E. Maiden Jr.	Magistrate
Glenn D. Webb	Magistrate
Terry Bailey	Magistrate

**Other Elected Officials:**

William Neil Ward	County Attorney
Gary Ferguson	Jailer
Debbie Gambrel	County Clerk
Colby Slusher	Circuit Court Clerk
Mitchell Williams	Sheriff
Michelle Bailey	Property Valuation Administrator
Jay Steele	Coroner

**Appointed Personnel:**

Irma Brooks	County Treasurer
Wade Hoskins	Road Supervisor



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

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

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

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

	<b>Budgeted Funds</b>		
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>
<b>RECEIPTS</b>			
Taxes	\$ 2,107,691	\$	\$
In Lieu Tax Payments	39,537		
Excess Fees	45,931		
Licenses and Permits	41,747		
Intergovernmental	1,252,125	1,715,668	550,613
Charges for Services	11,967		7,180
Miscellaneous	272,072	13,700	82,734
Interest	24,461		
Total Receipts	<u>3,795,531</u>	<u>1,729,368</u>	<u>640,527</u>
<b>DISBURSEMENTS</b>			
General Government	2,121,183		
Protection to Persons and Property	538,114		1,488,976
General Health and Sanitation	109,327		
Social Services			
Recreation and Culture	3,496		
Transportation Facility and Services		75,646	
Roads		1,072,299	
Debt Service	169,612		62,544
Capital Projects		20,300	
Administration	1,226,575	355,336	226,725
Total Disbursements	<u>4,168,307</u>	<u>1,523,581</u>	<u>1,778,245</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(372,776)</u>	<u>205,787</u>	<u>(1,137,718)</u>
<b>Other Adjustments to Cash (Uses)</b>			
Transfers From Other Funds	1,224,350	300,000	1,124,377
Transfers To Other Funds	(966,000)	(523,032)	
Total Other Adjustments to Cash (Uses)	<u>258,350</u>	<u>(223,032)</u>	<u>1,124,377</u>
Net Change in Fund Balance	(114,426)	(17,245)	(13,341)
Fund Balance - Beginning	169,718	488,432	14,641
Fund Balance - Ending	<u>\$ 55,292</u>	<u>\$ 471,187</u>	<u>\$ 1,300</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 112,742	\$ 484,741	\$ 18,146
Less: Outstanding Checks	(57,450)	(13,554)	(16,846)
Fund Balance - Ending	<u>\$ 55,292</u>	<u>\$ 471,187</u>	<u>\$ 1,300</u>

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

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

<b>Budgeted Funds</b>				
<b>Local Government Economic Assistance Fund</b>	<b>Ambulance Service Fund</b>	<b>Local Government Economic Development Fund</b>	<b>Insurance Premium Tax Fund</b>	<b>Federal Grant Fund</b>
\$	\$	\$	\$ 888,005	\$
460,677		515,844		352,506
	658,329 22,778		64	
<u>460,677</u>	<u>681,107</u>	<u>515,844</u>	<u>888,069</u>	<u>352,506</u>
1,516 3,586 30,000 12,000	659,350		293,234	352,503
	10,630			
	310,057			
<u>47,102</u>	<u>980,037</u>		<u>293,234</u>	<u>352,503</u>
413,575	(298,930)	515,844	594,835	3
	399,514			
(458,377)		(506,000)	(594,832)	
<u>(458,377)</u>	<u>399,514</u>	<u>(506,000)</u>	<u>(594,832)</u>	
(44,802)	100,584	9,844	3	3
46,134	44,791		15	
<u>\$ 1,332</u>	<u>\$ 145,375</u>	<u>\$ 9,844</u>	<u>\$ 18</u>	<u>\$ 3</u>
\$ 1,923	\$ 162,365	\$ 9,844	\$ 18	\$ 3
(591)	(16,990)			
<u>\$ 1,332</u>	<u>\$ 145,375</u>	<u>\$ 9,844</u>	<u>\$ 18</u>	<u>\$ 3</u>

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

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

	<u>Unbudgeted Funds</u>		
	<u>Public Properties Corporation Fund - 2014 Series</u>	<u>Jail Commissary Fund</u>	<u>Total Funds</u>
<b>RECEIPTS</b>			
Taxes	\$	\$	\$ 2,995,696
In Lieu Tax Payments			39,537
Excess Fees			45,931
Licenses and Permits			41,747
Intergovernmental	386,650		5,234,083
Charges for Services			677,476
Miscellaneous		173,232	564,516
Interest		50	24,575
Total Receipts	<u>386,650</u>	<u>173,282</u>	<u>9,623,561</u>
<b>DISBURSEMENTS</b>			
General Government			2,475,202
Protection to Persons and Property			2,983,260
General Health and Sanitation			139,327
Social Services			12,000
Recreation and Culture		167,573	171,069
Transportation Facility and Services			75,646
Roads			1,072,299
Debt Service	385,400		628,186
Capital Projects			20,300
Administration	1,250		2,119,943
Total Disbursements	<u>386,650</u>	<u>167,573</u>	<u>9,697,232</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>5,709</u>	<u>(73,671)</u>
<b>Other Adjustments to Cash (Uses)</b>			
Transfers From Other Funds			3,048,241
Transfers To Other Funds			(3,048,241)
Total Other Adjustments to Cash (Uses)			<u>(73,671)</u>
Net Change in Fund Balance		5,709	(73,671)
Fund Balance - Beginning	1,250	17,011	781,992
Fund Balance - Ending	<u>\$ 1,250</u>	<u>\$ 22,720</u>	<u>\$ 708,321</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 1,250	\$ 29,067	\$ 820,099
Less: Outstanding Checks		(6,347)	(111,778)
Fund Balance - Ending	<u>\$ 1,250</u>	<u>\$ 22,720</u>	<u>\$ 708,321</u>

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

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENT**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES .....	10
NOTE 2.	DEPOSITS .....	13
NOTE 3.	TRANSFERS.....	13
NOTE 4.	AGENCY TRUST FUNDS .....	14
NOTE 5.	OFFICE SPACE RENTAL.....	14
NOTE 6.	LONG-TERM DEBT .....	14
NOTE 7.	CONTINGENCIES .....	18
NOTE 8.	EMPLOYEE RETIREMENT SYSTEM .....	18
NOTE 9.	DEFERRED COMPENSATION.....	22
NOTE 10.	INSURANCE.....	22

**BELL COUNTY**  
**NOTES TO FINANCIAL STATEMENT**

**June 30, 2019**

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

**A. Reporting Entity**

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

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

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

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

**Budgeted Funds (Continued)**

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.

Ambulance Service Fund - The primary purpose of this fund is to provide emergency medical service for the county. The primary sources of receipts for this fund are federal, state, and private insurance billings.

Local Government Economic Development 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 government.

Insurance Premium Tax Fund - The primary purpose of this fund is to account for proceeds from the collection of insurance premium taxes and the disbursements thereof.

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

**Unbudgeted Funds**

The fiscal court reports the following unbudgeted funds:

Public Properties Corporation Fund - 2014 Series - The purpose of this fund is to account for proceeds and debt service requirements of the Refunding Revenue Bond, Series 2014. The Department for Local Government does not require the fiscal court to report or budget this fund.

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

**D. Budgetary Information**

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

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

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.

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

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

**D. Budgetary Information (Continued)**

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

The state local finance officer does not require the public properties corporation fund - 2014 series to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

**E. Bell County Elected Officials**

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



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

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

**H. Joint Ventures**

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based on this criteria, the following is considered a joint venture of the Bell Fiscal Court:

Bell/Whitley County Community Action Group (with Whitley County)

**Note 2. Deposits**

The fiscal court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the fiscal court and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of June 30, 2019, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**Note 3. Transfers**

The table below shows the interfund operating transfers for fiscal year 2019.

	General Fund	Road Fund	Local Government Economic Assistance Fund	Local Government Economic Development Fund	Insurance Premium Tax Fund	Total Transfers In
General Fund	\$	\$ 523,032	\$	\$ 506,000	\$ 195,318	\$ 1,224,350
Road Fund	300,000					300,000
Jail Fund	666,000		458,377			1,124,377
Ambulance Fund					399,514	399,514
Total Transfers Out	<u>\$ 966,000</u>	<u>\$ 523,032</u>	<u>\$ 458,377</u>	<u>\$ 506,000</u>	<u>\$ 594,832</u>	<u>\$ 3,048,241</u>

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

**Note 3. Transfers (Continued)**

Reason for transfers:

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

**Note 4. Agency Trust Funds**

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

The fiscal court has the following agency trust fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2019, was \$18,389.

**Note 5. Office Space Rental**

On January 5, 2016, the Bell County Fiscal Court entered into an operating lease agreement with Pine Mountain Properties, LLC, for the rent of the Bell County Clerk's office located Middlesboro, Kentucky at a rate of \$700 per month. The lease is for 10 years, at which time the lease can be renewed in 10 year increments at a lease rate increase of 10 percent from the prior monthly rate paid. The total expense related to this operating lease was \$8,400 for the fiscal year ended June 30, 2019. The future minimum lease payments for the operating lease are as follows:

Fiscal Year Ended June 30	Annual Payment
2020	\$ 8,400
2021	8,400
2022	8,400
2023	8,400
2024	8,400
2025-2027	<u>21,000</u>
Totals	<u>\$ 63,000</u>

**Note 6. Long-term Debt**

**A. Direct Borrowings and Direct Placements**

**1. Ambulance Garage Capital Lease Agreement**

The Bell County Fiscal Court entered into a capital lease agreement with the Kentucky Association of Counties Leasing Trust Program on November 26, 2003. The lease proceeds were used to acquire land and a building. Terms of the agreement stipulate a twenty-year repayment schedule, with variable monthly interest payments and variable annual principal payments. As of June 30, 2019, the principal balance remaining was \$39,699. Future lease payments are as follows:

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

**Note 6. Long-term Debt (Continued)**

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

**1. Ambulance Garage Capital Lease Agreement (Continued)**

Fiscal Year Ended June 30	Scheduled Principal	Scheduled Interest
2020	\$ 8,196	\$ 2,266
2021	8,542	1,741
2022	8,901	1,198
2023	9,276	631
2024	4,784	96
Totals	<u>\$ 39,699</u>	<u>\$ 5,932</u>

**2. Industrial Building**

The county entered into a capital lease agreement with the Kentucky Association of Counties Leasing Trust Program on July 13, 2006. The lease proceeds were used to finance the construction of an industrial building on behalf of the Bell County Industrial Authority. Total amount financed was \$360,000. Terms of the agreement stipulate a fifteen-year repayment schedule, with variable monthly interest payments and variable annual principal payments. The Industrial Authority rents the building from the county. The rent is equivalent to the principal and interest payments. As of June 30, 2019, the principal balance remaining was \$90,000. Future lease payments are as follows:

Fiscal Year Ended June 30	Scheduled Principal	Scheduled Interest
2020	\$ 30,000	\$ 3,422
2021	30,000	1,921
2022	30,000	150
Totals	<u>\$ 90,000</u>	<u>\$ 5,493</u>

**B. Other Debt**

**1. Judicial Building - Refunding Revenue Bonds 2014 Series**

On June 15, 2014, the Bell County Public Properties Corporation issued the 2014 Refunding Revenue Bonds for the purpose of refinancing the 2005 revenue bonds that were used for refinancing of the construction of the Farmer Helton Judicial Building. Bell County and the Public Properties Corporation are acting as agents for the Administrative Office of the Courts (AOC) in order to manage and maintain the judicial building. The Public Properties Corporation and the county expect annual rentals for use of the judicial building to be in the full amount of the annual principal and interest requirements of the bonds. Under the terms of the lease, the AOC has agreed to pay directly to the paying agent bank, the payment as provided in the lease. The lease agreement is renewable each year. The county and the Public Properties Corporation are in reliance upon the AOC's payments in order to meet the debt service for the bonds.

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

**Note 6. Long-term Debt (Continued)**

**B. Other Debt (Continued)**

**1. Judicial Building - Refunding Revenue Bonds 2014 Series (Continued)**

The AOC, with the execution of the lease, has expressed its intention to continue to pay in full both the principal and interest in each successive biennial budget period until June 30, 2029; however, the lease does not legally obligate the AOC to do so.

As of June 30, 2019, the principal balance remaining was \$3,310,000. The future payments are as follows:

Fiscal Year Ended June 30	Scheduled Principal	Scheduled Interest
2020	\$ 280,000	\$ 97,000
2021	295,000	88,375
2022	300,000	79,450
2023	310,000	70,300
2024	330,000	60,700
2025-2029	<u>1,795,000</u>	<u>146,450</u>
Totals	<u>\$ 3,310,000</u>	<u>\$ 542,275</u>

**2. Community Action Agency - Revenue Bonds Series 2015C**

On October 22, 2015, the Bell County Fiscal Court issued Revenue Bonds Series 2015C that refinanced the General Obligation Bonds Series 2006 that was issued October 5, 2006 on behalf of the Bell/Whitley Community Action Agency (CAA) for the construction of a building to house the CAA offices. The CAA is responsible for the payments of the bond. The principal amount outstanding as of June 30, 2019 was 645,000. Future debt service requirements are:

Fiscal Year Ended June 30	Scheduled Principal	Scheduled Interest
2020	\$ 70,000	\$ 19,350
2021	75,000	17,250
2022	80,000	15,000
2023	80,000	12,600
2024	80,000	10,200
2025-2027	<u>260,000</u>	<u>15,750</u>
Totals	<u>\$ 645,000</u>	<u>\$ 90,150</u>

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

**Note 6. Long-term Debt (Continued)**

**B. Other Debt (Continued)**

**3. Hatchery Project**

On July 16, 2015, the Bell County Fiscal Court issued General Obligation Bonds, Series 2015 in the amount of \$496,000 to finance a fish hatchery project in Bell County. Annual principal payments and semi-annual interest payments at a rate of 3.62% are required. The principal amount outstanding as of June 30, 2019, was \$386,722. Future debt service requirements are:

Fiscal Year Ended June 30	Scheduled Principal	Scheduled Interest
2020	\$ 29,245	\$ 13,999
2021	30,303	12,291
2022	31,400	11,844
2023	32,537	10,707
2024	33,715	9,529
2025-2029	187,789	28,430
2030	41,733	1,511
Totals	<u>\$ 386,722</u>	<u>\$ 88,311</u>

**4. Detention Center**

On September 14, 2016, the Bell County Fiscal Court issued Financing Revenue and Revenue Refunding Bonds Series 2016C that partially defeased the General Obligation Improvement Bonds Series 2009 that was issued June 23, 2009 to refinance the original General Obligation Bond Series 2006. The original bond was used to acquire land and improving land. The principal amount outstanding as of June 30, 2019, was \$875,000. Future debt service requirements are:

Fiscal Year Ended June 30	Scheduled Principal	Scheduled Interest
2020	\$ 35,000	\$ 28,731
2021	35,000	27,331
2022	35,000	25,931
2023	40,000	24,431
2024	40,000	22,831
2025-2029	230,000	93,556
2030-2034	270,000	54,941
2035-2037	190,000	9,000
Totals	<u>\$ 875,000</u>	<u>\$ 286,752</u>

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

**Note 6. Long-term Debt (Continued)**

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

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

	Beginning Balance	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 167,564	\$ 37,865	\$ 129,699	\$ 38,196
General Obligation Refunding Lease Revenue Bonds	414,945	28,223	386,722	29,245
	5,210,000	380,000	4,830,000	385,000
Total Long-term Debt	<u>\$ 5,792,509</u>	<u>\$ 446,088</u>	<u>\$ 5,346,421</u>	<u>\$ 452,441</u>

**Note 7. 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 8. Employee Retirement System**

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

The county's contribution for FY 2017 was \$648,999, FY 2018 was \$627,366, and FY 2019 was \$689,738.

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.

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

**Note 8. Employee Retirement System (Continued)**

Nonhazardous (Continued)

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

The county's contribution rate for nonhazardous employees was 21.48 percent.

Hazardous

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

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

Members in the plan contribute a set percentage of their salary each month to their own accounts. Hazardous members contribute 8 percent of their annual creditable compensation and also contribute 1 percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board 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 35.34 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:

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

**Note 8. Employee Retirement System (Continued)**

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (Continued)

<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.

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

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

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

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

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

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



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

**Note 8. Employee Retirement System (Continued)**

Other Post-Employment Benefits (OPEB) (Continued)

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

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

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

D. Cost of Living Adjustments - Tier 1

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

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

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

F. Death Benefit

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

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

**Note 9. Deferred Compensation**

In April 2003, the Bell 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 St., 2<sup>nd</sup> Floor, Frankfort, KY 40601, or by telephone at (502) 573-7925.

**Note 10. Insurance**

For the fiscal year ended June 30, 2019, the Bell 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.

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

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

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

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

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 2,195,500	\$ 2,195,500	\$ 2,107,691	\$ (87,809)
In Lieu Tax Payments	46,000	46,000	39,537	(6,463)
Excess Fees	44,001	44,001	45,931	1,930
Licenses and Permits	70,000	70,000	41,747	(28,253)
Intergovernmental	1,183,290	1,352,920	1,252,125	(100,795)
Charges for Services	20,800	20,800	11,967	(8,833)
Miscellaneous	1,664,000	1,664,000	272,072	(1,391,928)
Interest	30,000	30,000	24,461	(5,539)
Total Receipts	<u>5,253,591</u>	<u>5,423,221</u>	<u>3,795,531</u>	<u>(1,627,690)</u>
<b>DISBURSEMENTS</b>				
General Government	2,049,582	2,223,084	2,121,183	101,901
Protection to Persons and Property	478,228	873,304	538,114	335,190
General Health and Sanitation	108,000	117,200	109,327	7,873
Recreation and Culture	5,000	5,000	3,496	1,504
Debt Service	78,348	78,348	169,612	(91,264)
Capital Projects	1,500,000	1,500,000		1,500,000
Administration	1,662,442	1,254,294	1,226,575	27,719
Total Disbursements	<u>5,881,600</u>	<u>6,051,230</u>	<u>4,168,307</u>	<u>1,882,923</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(628,009)</u>	<u>(628,009)</u>	<u>(372,776)</u>	<u>255,233</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	963,666	963,666	1,224,350	260,684
Transfers To Other Funds	(429,565)	(429,565)	(966,000)	(536,435)
Total Other Adjustments to Cash (Uses)	<u>534,101</u>	<u>534,101</u>	<u>258,350</u>	<u>(275,751)</u>
Net Change in Fund Balance	(93,908)	(93,908)	(114,426)	(20,518)
Fund Balance - Beginning	93,908	93,908	169,718	75,810
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 55,292</u>	<u>\$ 55,292</u>

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

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 4,120,869	\$ 4,120,869	\$ 1,715,668	\$ (2,405,201)
Miscellaneous			13,700	13,700
Total Receipts	<u>4,120,869</u>	<u>4,120,869</u>	<u>1,729,368</u>	<u>(2,391,501)</u>
<b>DISBURSEMENTS</b>				
Transportation Facilities and Services	120,500	92,500	75,646	16,854
Roads	1,813,120	1,913,934	1,072,299	841,635
Capital Projects	1,728,940	1,728,940	20,300	1,708,640
Administration	515,414	442,600	355,336	87,264
Total Disbursements	<u>4,177,974</u>	<u>4,177,974</u>	<u>1,523,581</u>	<u>2,654,393</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(57,105)</u>	<u>(57,105)</u>	<u>205,787</u>	<u>262,892</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			300,000	300,000
Transfers To Other Funds	<u>(223,032)</u>	<u>(223,032)</u>	<u>(523,032)</u>	<u>(300,000)</u>
Total Other Adjustments to Cash (Uses)	<u>(223,032)</u>	<u>(223,032)</u>	<u>(223,032)</u>	
Net Change in Fund Balance	(280,137)	(280,137)	(17,245)	262,892
Fund Balance - Beginning	<u>280,137</u>	<u>280,137</u>	<u>488,432</u>	<u>208,295</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 471,187</u>	<u>\$ 471,187</u>

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

	<b>JAIL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 725,800	\$ 725,800	\$ 550,613	\$ (175,187)
Charges for Services	24,500	24,500	7,180	(17,320)
Miscellaneous	32,100	112,100	82,734	(29,366)
Total Receipts	<u>782,400</u>	<u>862,400</u>	<u>640,527</u>	<u>(221,873)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	1,331,291	1,492,259	1,488,976	3,283
Debt Service	62,544	62,544	62,544	
Administration	337,910	256,942	226,725	30,217
Total Disbursements	<u>1,731,745</u>	<u>1,811,745</u>	<u>1,778,245</u>	<u>33,500</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(949,345)</u>	<u>(949,345)</u>	<u>(1,137,718)</u>	<u>(188,373)</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	949,345	949,345	1,124,377	175,032
Total Other Adjustments to Cash (Uses)	<u>949,345</u>	<u>949,345</u>	<u>1,124,377</u>	<u>175,032</u>
Net Change in Fund Balance			(13,341)	(13,341)
Fund Balance - Beginning			14,641	14,641
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,300</u>	<u>\$ 1,300</u>

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

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 625,000	\$ 625,000	\$ 460,677	\$ (164,323)
Total Receipts	<u>625,000</u>	<u>625,000</u>	<u>460,677</u>	<u>(164,323)</u>
<b>DISBURSEMENTS</b>				
General Government	5,000	5,000	1,516	3,484
Protection to Persons and Property	3,586	3,586	3,586	
General Health and Sanitation	30,000	30,000	30,000	
Social Services	18,000	18,000	12,000	6,000
Recreation and Culture	11,500	11,500		11,500
Roads	80,000	80,000		80,000
Administration	17,134	17,134		17,134
Total Disbursements	<u>165,220</u>	<u>165,220</u>	<u>47,102</u>	<u>118,118</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>459,780</u>	<u>459,780</u>	<u>413,575</u>	<u>(46,205)</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds	(519,780)	(519,780)	(458,377)	61,403
Total Other Adjustments to Cash (Uses)	<u>(519,780)</u>	<u>(519,780)</u>	<u>(458,377)</u>	<u>61,403</u>
Net Change in Fund Balance	(60,000)	(60,000)	(44,802)	15,198
Fund Balance - Beginning	<u>60,000</u>	<u>60,000</u>	<u>46,134</u>	<u>(13,866)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,332</u>	<u>\$ 1,332</u>



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

	<b>AMBULANCE SERVICE FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 10,000	\$ 10,000	\$	\$ (10,000)
Charges for Services	775,000	775,000	658,329	(116,671)
Miscellaneous	24,950	24,950	22,778	(2,172)
Total Receipts	<u>809,950</u>	<u>809,950</u>	<u>681,107</u>	<u>(128,843)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	808,160	809,219	659,350	149,869
Debt Service	10,192	10,630	10,630	
Administration	437,000	435,503	310,057	125,446
Total Disbursements	<u>1,255,352</u>	<u>1,255,352</u>	<u>980,037</u>	<u>275,315</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(445,402)</u>	<u>(445,402)</u>	<u>(298,930)</u>	<u>146,472</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	405,000	405,000	399,514	(5,486)
Total Other Adjustments to Cash (Uses)	<u>405,000</u>	<u>405,000</u>	<u>399,514</u>	<u>(5,486)</u>
Net Change in Fund Balance	(40,402)	(40,402)	100,584	140,986
Fund Balance - Beginning	40,402	40,402	44,791	4,389
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 145,375</u>	<u>\$ 145,375</u>

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

**LOCAL GOVERNMENT ECONOMIC DEVELOPMENT FUND**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>RECEIPTS</b>				
Intergovernmental	\$ 542,634	\$ 542,634	\$ 515,844	\$ (26,790)
Total Receipts	<u>542,634</u>	<u>542,634</u>	<u>515,844</u>	<u>(26,790)</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>542,634</u>	<u>542,634</u>	<u>515,844</u>	<u>(26,790)</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds	<u>(542,634)</u>	<u>(542,634)</u>	<u>(506,000)</u>	<u>36,634</u>
Total Other Adjustments to Cash (Uses)	<u>(542,634)</u>	<u>(542,634)</u>	<u>(506,000)</u>	<u>36,634</u>
Net Change in Fund Balance			9,844	9,844
Fund Balance - Beginning	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 9,844</u>	<u>\$ 9,844</u>

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

**INSURANCE PREMIUM TAX FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 905,000	\$ 905,000	\$ 888,005	\$ (16,995)
Interest	1,000	1,000	64	(936)
Total Receipts	<u>906,000</u>	<u>906,000</u>	<u>888,069</u>	<u>(17,931)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	302,000	302,000	293,234	8,766
Administration	1,000	1,000		1,000
Total Disbursements	<u>303,000</u>	<u>303,000</u>	<u>293,234</u>	<u>9,766</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>603,000</u>	<u>603,000</u>	<u>594,835</u>	<u>(8,165)</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds	<u>(603,000)</u>	<u>(603,000)</u>	<u>(594,832)</u>	<u>8,168</u>
Total Other Adjustments to Cash (Uses)	<u>(603,000)</u>	<u>(603,000)</u>	<u>(594,832)</u>	<u>8,168</u>
Net Change in Fund Balance			3	3
Fund Balance - Beginning			<u>15</u>	<u>15</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 18</u>	<u>\$ 18</u>

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

	<b>FEDERAL GRANT FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,085,000	\$ 1,085,000	\$ 352,506	\$ (732,494)
Total Receipts	<u>1,085,000</u>	<u>1,085,000</u>	<u>352,506</u>	<u>(732,494)</u>
<b>DISBURSEMENTS</b>				
General Government	1,000,000	1,000,000	352,503	647,497
Protection to Persons and Property	80,000	80,000		80,000
General Health and Sanitation	5,000	5,000		5,000
Total Disbursements	<u>1,085,000</u>	<u>1,085,000</u>	<u>352,503</u>	<u>732,497</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			<u>3</u>	<u>3</u>
Net Change in Fund Balance			3	3
Fund Balance - Beginning				
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3</u>	<u>\$ 3</u>

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

**June 30, 2019**

**Note 1. Budgetary Information**

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

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

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

**Note 2. Excess of Disbursements Over Appropriations**

General fund debt service exceeded budgeted appropriations by \$91,264.

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

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

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

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

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance (Restated)	Additions	Deletions	Ending Balance
Land	\$ 1,434,079	\$	\$	\$ 1,434,079
Buildings	7,419,861	134,403		7,554,264
Vehicles and Equipment*	1,978,313	15,000		1,993,313
Other Equipment*	2,645,366	271,304		2,916,670
Infrastructure	6,633,462	370,504		7,003,966
 Total Capital Assets	 \$ 20,111,081	 \$ 791,211	 \$ 0	 \$ 20,902,292

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

**June 30, 2019**

**Note 1. Capital Assets**

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

	<u>Capitalization Threshold</u>	<u>Useful Life (Years)</u>
Land Improvements	\$ 5,000	10-60
Buildings	\$ 25,000	10-75
Building Improvements	\$ 10,000	10-75
Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-25
Infrastructure	\$ 10,000	10-50

**Note 2. Restatement of Capital Asset Beginning Balance**

Restated beginning balance for vehicles and equipment and other equipment, due to a prior year classification error for additions. The prior year audit report had included additions of \$148,513 to vehicles and equipment, additions of \$9,800 should have been reported for vehicles and equipment. The prior year audit report had included addition of \$9,800 to other equipment, additions of \$148,513 should have been reported for other equipment. This classification error did not change the total capital assets reported for the beginning balance.

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

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

The Honorable Albey Brock, Bell County Judge/Executive  
Members of the Bell 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 Bell County Fiscal Court for the fiscal year ended June 30, 2019, and the related notes to the financial statement which collectively comprise the Bell County Fiscal Court's financial statement and have issued our report thereon dated June 10, 2020.

**Internal Control Over Financial Reporting**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2019-002 to be a material weakness.



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

**Compliance And Other Matters**

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

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

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

**Purpose of this Report**

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

Respectfully submitted,



Mike Harmon  
Auditor of Public Accounts

June 10, 2020

**BELL COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

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

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**BELL COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

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

STATE LAWS AND REGULATIONS:

2019-001 The Bell County Fiscal Court Did Not Follow Proper Procurement Procedures For Purchases Over \$20,000

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The Bell County Fiscal Court did not follow proper procurement procedures for bids on all expenditures for materials exceeding \$20,000. As a result, the following occurred:

- The fiscal court paid \$26,500 for blacktopping roads without advertising for bids.
- One blacktopping invoice was \$6,635 higher than the actual bid price and county did not obtain documentation to show Kentucky asphalt price index had increased.
- The fiscal court paid \$82,440 to fix the courthouse air conditioner without advertising for bids. They advertised for an energy savings proposal, however the county has not adopted the model procurement code.
- The fiscal court paid \$51,962 to replace the windows at the courthouse by negotiating the price from the energy savings proposal and without advertising for bid.

The fiscal court was not aware the road materials exceeded the bid amount threshold. Furthermore, the fiscal court was not aware they could not use Model Procurement Code statues dealing with Energy Saving Plans without first adopting the Model Procurement Code. As a result, the fiscal court was not in compliance with procurement laws or their administrative code. In addition, the county may not have received the best value for services or products provided.

KRS 424.260 (1) states “[e]xcept where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract, lease, or other agreement for materials, supplies except perishable meat, fish, and vegetables, equipment, or for contractual services other than professional, involving an expenditure of more than twenty thousand dollars (\$20,000) without first making newspaper advertisement for bids.”

We recommend the fiscal court monitor disbursements to ensure procurement procedures are followed properly for all purchases and contracts in the future.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive’s Response: The official did not provide a response.*

2019-002 The Bell County Jail Commissary Does Not Have Segregation Of Duties Over Receipts, Disbursements, And The Bank Reconciliation Process

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This is a repeat finding and was included in the prior year audit report as finding 2018-001. The Bell County jail commissary bookkeeper’s duties include collecting cash for inmate accounts, posting receipts, preparing and posting disbursements, and completing the bank reconciliation. When one employee is responsible for the receipt, disbursement, and reconciliation process, the risk of misappropriation of assets, errors, and inaccurate financial reporting increases. According to the jailer, the limited number of Bell County jail staff in the office prevents a proper segregation of duties. This could result in undetected misappropriation of assets and incorrect reporting.

Effective internal controls require proper segregation of duties over accounting functions, such as making deposits, preparing disbursements, and reconciling the bank account. Segregation of duties, or the implementation of compensating controls, is essential for providing protection to employees in the normal course of performing their daily responsibilities.

**BELL COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**For The Year Ended June 30, 2019**  
**(Continued)**

INTERNAL CONTROL - MATERIAL WEAKNESS:

2019-002 The Bell County Jail Commissary Does Not Have Segregation Of Duties Over Receipts, Disbursements, And The Bank Reconciliation Process (Continued)

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We recommend the Bell County Jailer segregate duties over receipts, disbursements, and the bank reconciliation process. If segregation of duties is not possible, then the Bell County Jailer should implement compensating controls by monitoring the financial activities of the jail commissary and document the review.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: The official did not provide a response.*

*Jailer's Response: We were in the process of training more people to be active in the commissary process but as a result of the pandemic we lost several employees due to fear of the virus and we do intend to have more people involved again to limit one person being responsible. Also, the jailer will sign off on receipts, deposits, etc.*

**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS**

**BELL COUNTY FISCAL COURT**

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

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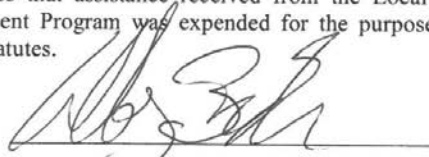
CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAM

BELL COUNTY FISCAL COURT

For The Year Ended June 30, 2019

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



County Judge/Executive



County Treasurer