

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

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



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

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

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
BOURBON COUNTY OFFICIALS.....	4
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - REGULATORY BASIS.....	6
NOTES TO FINANCIAL STATEMENT.....	11
BUDGETARY COMPARISON SCHEDULES.....	29
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES.....	37
SCHEDULE OF CAPITAL ASSETS.....	41
NOTES TO OTHER INFORMATION – REGULATORY BASIS SCHEDULE OF CAPITAL ASSETS.....	42
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>	45
APPENDIX A: CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	

THIS PAGE LEFT BLANK INTENTIONALLY



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Michael R. Williams, Bourbon County Judge/Executive
Members of the Bourbon 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 Bourbon County Fiscal Court, for the year ended June 30, 2019, 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.



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

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, 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 Bourbon 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 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 (supplementary information) and the Schedule of Capital Assets (other information) are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

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

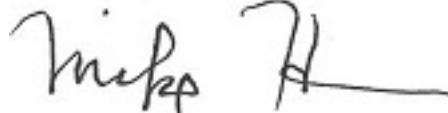
The Schedule of Capital Assets has not been subjected to the auditing procedures applied in the audit of the basic financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2020, 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.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts

January 9, 2020

BOURBON COUNTY OFFICIALS**For The Year Ended June 30, 2019****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	Occupational Tax Collector
Christina Smith	Finance Officer

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

For The Year Ended June 30, 2019

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

For The Year Ended June 30, 2019

	Budgeted Funds			
	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund
RECEIPTS				
Taxes	\$ 4,482,519	\$	\$	\$
Excess Fees	1,085,700			
Licenses and Permits	92,239			
Intergovernmental	1,250,370	1,400,051	164,260	84,806
Charges for Services	10,885			
Miscellaneous	222,920	1,148	1,794	
Interest	24,977	12,155	4,553	1,270
Total Receipts	<u>7,169,610</u>	<u>1,413,354</u>	<u>170,607</u>	<u>86,076</u>
DISBURSEMENTS				
General Government	2,367,802			
Protection to Persons and Property	1,326,751		73,327	58,432
General Health and Sanitation	220,530	18,512		
Social Services	217,365			
Recreation and Culture	249,585			
Roads		590,169		
Debt Service	802,407			
Capital Projects		282,500		
Administration	1,759,878	273,343	42,019	
Total Disbursements	<u>6,944,318</u>	<u>1,164,524</u>	<u>115,346</u>	<u>58,432</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>225,292</u>	<u>248,830</u>	<u>55,261</u>	<u>27,644</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds				
Transfers To Other Funds				
Total Other Adjustments to Cash (Uses)				
Net Change in Fund Balance	225,292	248,830	55,261	27,644
Fund Balance - Beginning (Restated)	1,955,771	641,278	303,144	97,079
Fund Balance - Ending	<u>\$ 2,181,063</u>	<u>\$ 890,108</u>	<u>\$ 358,405</u>	<u>\$ 124,723</u>
Composition of Fund Balance				
Bank Balance	\$ 1,958,063	\$ 918,543	\$ 358,405	\$ 124,928
Less: Outstanding Checks	(43,129)	(28,435)		(205)
Certificates of Deposit	266,129			
Investments				
Fund Balance - Ending	<u>\$ 2,181,063</u>	<u>\$ 890,108</u>	<u>\$ 358,405</u>	<u>\$ 124,723</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, 2019
(Continued)

Budgeted Funds				Unbudgeted Fund	Private Purpose Trust Funds	
Courthouse Bond Fund	Grant Fund	Jail Construction Fund	Phase I Fund	Educational Trust Fund Checking	John Marston Education Trust Fund	Clifton Gillespie Trust Fund
\$	\$	\$	\$	\$	\$	\$
			300,000			
		16,420	1,897	1,088	344,882	101,664
		16,420	301,897	616	11,880	2,627
		16,420	301,897	1,704	356,762	104,291
		1,984				
				248,212	21,660	28,001
		158,324				
			356,077			
		160,308	356,077	248,212	21,660	28,001
		(143,888)	(54,180)	(246,508)	335,102	76,290
				290,972		
				(10,723)	(59,767)	(20,058)
				280,249	(59,767)	(20,058)
		(143,888)	(54,180)	33,741	275,335	56,232
		984,989	105,662	654,801	1,310,583	1,852,103
\$ 0	\$ 0	\$ 841,101	\$ 51,482	\$ 688,542	\$ 1,585,918	\$ 1,908,335
\$	\$	\$ 841,101	\$ 59,770	\$ 688,542	\$ 126,039	\$ 39,912
			(8,288)			
					1,459,879	1,868,423
\$ 0	\$ 0	\$ 841,101	\$ 51,482	\$ 688,542	\$ 1,585,918	\$ 1,908,335

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, 2019
(Continued)

	<u>Private Purpose Trust Funds</u>			
	<u>Willmott Memorial Trust Fund</u>	<u>Robert Meteer Trust Fund</u>	<u>Lucy Anderson Trust Fund</u>	<u>Talbott Clay Trust Fund</u>
RECEIPTS				
Taxes	\$	\$	\$	\$
Excess Fees				
Licenses and Permits				
Intergovernmental				
Charges for Services				
Miscellaneous	293,614	360,785	44,446	36,540
Interest	1,448	406	104	158
Total Receipts	<u>295,062</u>	<u>361,191</u>	<u>44,550</u>	<u>36,698</u>
DISBURSEMENTS				
General Government				
Protection to Persons and Property				
General Health and Sanitation				
Social Services	44,886	13,135	7,652	5,483
Recreation and Culture				
Roads				
Debt Service				
Capital Projects				
Administration				
Total Disbursements	<u>44,886</u>	<u>13,135</u>	<u>7,652</u>	<u>5,483</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>250,176</u>	<u>348,056</u>	<u>36,898</u>	<u>31,215</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	10,723			
Transfers To Other Funds	<u>(114,557)</u>	<u>(31,071)</u>	<u>(17,204)</u>	<u>(13,250)</u>
Total Other Adjustments to Cash (Uses)	<u>(103,834)</u>	<u>(31,071)</u>	<u>(17,204)</u>	<u>(13,250)</u>
Net Change in Fund Balance	146,342	316,985	19,694	17,965
Fund Balance - Beginning (Restated)	<u>2,706,215</u>	<u>895,519</u>	<u>492,474</u>	<u>358,603</u>
Fund Balance - Ending	<u>\$ 2,852,557</u>	<u>\$ 1,212,504</u>	<u>\$ 512,168</u>	<u>\$ 376,568</u>
Composition of Fund Balance				
Bank Balance	\$ 110,436	\$ 21,985	\$ 21,154	\$ 11,675
Less: Outstanding Checks				
Certificates of Deposit				
Investments	<u>2,742,121</u>	<u>1,190,519</u>	<u>491,014</u>	<u>364,893</u>
Fund Balance - Ending	<u>\$ 2,852,557</u>	<u>\$ 1,212,504</u>	<u>\$ 512,168</u>	<u>\$ 376,568</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, 2019
(Continued)

Private Purpose Trust Funds					
Ella Davis Trust Fund	Howard Forquer Trust Fund	Education #1 E.M. Costello, Garth, Costello, Hamilton, Champ Trust Fund	Education #2 Kennedy, Hinkle, Redmon, Goff Trust Fund	Health and Welfare Trust Fund	Total Funds
\$	\$	\$	\$	\$	\$ 4,482,519
					1,085,700
					92,239
					3,199,487
					10,885
10,048	80,853	4,327	11,605		1,515,714
65	178	11,292	62	78	90,186
<u>10,113</u>	<u>81,031</u>	<u>15,619</u>	<u>11,667</u>	<u>78</u>	<u>10,476,730</u>
					2,367,802
					1,460,494
					239,042
4,693	10,813	2,556	2,700	1,144	608,300
					249,585
					590,169
					802,407
					440,824
					2,431,317
<u>4,693</u>	<u>10,813</u>	<u>2,556</u>	<u>2,700</u>	<u>1,144</u>	<u>9,189,940</u>
					1,286,790
5,420	70,218	13,063	8,967	(1,066)	1,286,790
					301,695
	(16,993)	(12,744)	(5,328)		(301,695)
	<u>(16,993)</u>	<u>(12,744)</u>	<u>(5,328)</u>		
5,420	53,225	319	3,639	(1,066)	1,286,790
87,958	601,478	216,886	169,308	14,636	13,448,487
<u>\$ 93,378</u>	<u>\$ 654,703</u>	<u>\$ 217,205</u>	<u>\$ 172,947</u>	<u>\$ 13,570</u>	<u>\$ 14,735,277</u>
					5,313,960
\$ 3,210	\$ 18,422	\$ 4,514	\$ 6,921	\$ 340	(80,057)
				13,230	279,359
<u>90,168</u>	<u>636,281</u>	<u>212,691</u>	<u>166,026</u>		<u>9,222,015</u>
<u>\$ 93,378</u>	<u>\$ 654,703</u>	<u>\$ 217,205</u>	<u>\$ 172,947</u>	<u>\$ 13,570</u>	<u>\$ 14,735,277</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.	PRIVATE PURPOSE TRUST FUNDS	16
NOTE 4.	LONG-TERM DEBT	18
NOTE 5.	COMMITMENTS AND CONTINGENCIES	21
NOTE 6.	EMPLOYEE RETIREMENT SYSTEM	21
NOTE 7.	DEFERRED COMPENSATION	25
NOTE 8.	HEALTH REIMBURSEMENT ACCOUNT	25
NOTE 9.	INSURANCE	25
NOTE 10.	CONDUIT DEBT	26
NOTE 11.	BOURBON COUNTY-NICHOLAS COUNTY REGIONAL JAIL AUTHORITY	26
NOTE 12.	TAX ABATEMENT	26
NOTE 13.	TRANSFERS	26
NOTE 14.	PRIOR PERIOD BALANCE RESTATEMENT	26

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2019

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, 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.

Courthouse Bond Fund - The primary purpose of this fund was previously for tracking expense activity for courthouse renovations.

Grant Fund - The primary purpose of this fund is to account for grants from the state and federal governments.

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

Phase I Fund - The primary purpose of this fund is to account for a settlement between tobacco-growing states and the four largest cigarette manufacturers to offset income losses farmers are expected to experience as a result of changes within the tobacco industry. Compensation is limited to those individuals, residing in the state of Kentucky, who maintain a vested interest in tobacco production, compensation designated for this party would revert to the pool of compensation to be shared by active tobacco producers (quota owners and tenants).

Unbudgeted Funds

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, 2019
(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 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.

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

Note 2. Deposits and Investments (Continued)

A. Deposits (Continued)

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.

B. Investments

As of June 30, 2019, the fiscal court had the following investments and maturities:

Type	Cost Basis	Maturities (In Years)			
		Less Than 1	1-5	6-10	More Than 10
I. Investments					
Fixed Income Investments:					
U.S. Government Bonds	\$ 239,366	\$	\$ 160,648	\$ 78,718	\$
Corporate Bonds	74,117		74,117		
Total Investments	\$ 313,483	\$ 0	\$ 234,765	\$ 78,718	\$ 0
II. Other Investments:					
	Cost				
Common Stock	\$ 1,005,114				
Mutual Funds	7,903,418				
Total:	8,908,532				
Total Investments	\$ 9,222,015				

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) and 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 \$279,359 of certificates of deposits and \$9,222,015 of investments in securities held by the counterparties' trust departments in the fiscal court's name. The counterparty maintains the \$279,359 of certificates of deposit at depository institutions insured by the FDIC and limits certificates of deposit at each depository institution to \$250,000 FDIC coverage limit. In addition, 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.

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

Note 2. Deposits and Investments (Continued)

B. Investments (Continued)

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.
- 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.
- 3) Obligations of any corporation of the United States government.
- 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.
- 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.
 - c) All of the securities in the mutual fund shall be eligible investments pursuant to this section.

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. The county had no investment policy that would further limit its investment choices. As of June 30, 2019, the fiscal court does not have investments in these categories that exceed the 20 percent limit set by state statute.

The fiscal court's rated investments, as of June 30, 2019, and the ratings are presented in the table below. All issuers of the municipal bonds are located in the Commonwealth of Kentucky.

Type	Standard & Poor's/Moody's Credit Ratings				Unrated/NA	Cost Basis
	AAA	AA/Aa	BAA3	B		
Fixed Income Investments:						
U.S. Government Bonds	\$ 239,366	\$	\$	\$	\$	\$ 239,366
Corporate Bonds			74,117			74,117
Common Stock				1,005,114		1,005,114
Mutual Funds					7,903,418	7,903,418
Total Investments	239,366		74,117	1,005,114	7,903,418	9,222,015
Total Fund Balance	\$ 239,366	\$ 0	\$ 74,117	\$ 1,005,114	\$ 7,903,418	\$ 9,222,015

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

Note 2. Deposits and Investments (Continued)

B. Investments (Continued)

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. All of the investments reported in the fiscal court's private purpose trust funds are Corporate Bonds, Government Bonds, Common Stock, and Mutual Funds.

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.

Note 3. 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 Meteer Trust Fund - This fund was established by the will and codicil of Robert Meteer. 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.

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

Note 3. Private Purpose Trust Funds (Continued)

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.

Ella Davis Trust Fund - This fund was established by the will and codicil of Ella Davis. 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, for transportation, to cancer patients 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.

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.

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

Note 4. Long-term Debt

A. Direct Borrowings

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. 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, 2019, the outstanding principal balance was \$150,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2020	\$ 30,000	\$ 4,675
2021	30,000	3,700
2022	30,000	2,725
2023	30,000	1,750
2024	30,000	775
Totals	<u>\$ 150,000</u>	<u>\$ 13,625</u>

2. Kentucky Association of Counties Revenue Bonds, Series 2014B (Jail Project)

On April 3, 2014, the Kentucky Association of Counties Finance Corporation issued Financing Program Revenue Bonds, Series 2014A, in the amount of \$120,000 for the purpose of renovating the jail. Principal payments are due annually on December 20, beginning in 2014, and interest, which varies from 1.51 percent to 2.41 percent, is payable semi-annually on June 20 and December 20, beginning on June 20, 2014. As of June 30, 2019, the revenue bond was completely paid off.

3. 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 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, 2019, the outstanding principal balance was \$1,084,219.

Fiscal Year Ended June 30	Principal	Interest
2020	\$ 364,255	\$ 16,806
2021	366,641	11,160
2022	353,323	5,475
Totals	<u>\$ 1,084,219</u>	<u>\$ 33,441</u>

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

Note 4. Long-term Debt (Continued)

A. Direct Borrowings (Continued)

4. 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. 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, 2019, the outstanding principal balance was \$135,825. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2020	\$ 25,582	\$ 4,532
2021	26,350	3,630
2022	27,141	2,701
2023	27,956	1,743
2024	<u>28,796</u>	<u>758</u>
Totals	<u>\$ 135,825</u>	<u>\$ 13,364</u>

5. Promissory Term Note Agreement

During fiscal year ended June 30, 1998, the Bourbon County Public Properties Corporation entered into a promissory term note agreement with Community Ventures Corporation for the purchase and renovation of a manufacturing facility. The public properties corporation was obligated to pay \$131,500 in principal payments over seven years, beginning in 1997 and ending in 2004. On November 15, 2004, the public properties corporation refinanced this promissory term note, with an obligation to pay \$98,656 in principal payments over 60 months, beginning December 15, 2004, with a balloon payment scheduled to be made at the end of the note. On February 18, 2010, the public properties corporation refinanced this promissory term note again, with an obligation to pay \$73,157 in principal payments over 60 months at a stated interest rate of 6.25 percent, beginning March 15, 2010, with a balloon payment scheduled to be made at the end of the note. On October 10, 2014, the public properties corporation refinanced this promissory term note again, with an obligation to pay \$40,843 in principal payments, over 55 months at a stated interest rate of 6.25 percent, beginning November 15, 2014. As of June 30, 2019, the promissory note is completely paid off.

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 bond will mature on June 1, 2036. As of June 30, 2019, the outstanding principal balance was \$6,810,000.

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

Note 4. Long-term Debt (Continued)

B. Other Debt (Continued)

1. General Obligation Refunding and Improvement Bonds, Series 2016 (Continued)

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 consequents. 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:

Fiscal Year Ended June 30,	Principal	Interest
2020	\$ 360,000	\$ 217,450
2021	365,000	210,250
2022	375,000	202,950
2023	395,000	187,950
2024	410,000	172,150
2025-2029	2,040,000	620,500
2030-2034	1,985,000	314,100
2035-2036	880,000	39,750
Totals	<u>\$ 6,810,000</u>	<u>\$ 1,965,100</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 bond requires semi-annual interest payments due on December 1 and June 1. The bond will mature on June 1, 2036. As of June 30, 2019, the outstanding principal balance was \$1,660,000. 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 consequents. 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, 2019
(Continued)

Note 4. Long-term Debt (Continued)

B. Other Debt (Continued)

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

Fiscal Year Ended June 30,	Principal	Interest
2020	\$ 75,000	\$ 51,550
2021	80,000	49,300
2022	80,000	46,900
2023	85,000	44,500
2024	85,000	41,950
2025-2029	470,000	169,550
2030-2034	540,000	94,206
2035-2036	245,000	12,488
Totals	<u>\$ 1,660,000</u>	<u>\$ 510,444</u>

C. Changes In Long-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings	\$ 1,813,662	\$	\$ 443,618	\$ 1,370,044	\$ 419,837
General Obligation Bonds	8,900,000		430,000	8,470,000	435,000
Total Long-term Debt	<u>\$ 10,713,662</u>	<u>\$ 0</u>	<u>\$ 873,618</u>	<u>\$ 9,840,044</u>	<u>\$ 854,837</u>

Note 5. Commitments and Contingencies

The county is involved in two lawsuits. The first lawsuit is dealing with land use. The second lawsuit is a wrongful death case concerning the Bourbon County-Nicholas County Regional Jail. The fiscal court believes that since it does not have a county jail, the entity that should be named in the suit is the regional jail and not the fiscal court. Due to the uncertainty of the litigation, a reasonable estimate of the financial impact on the county cannot be made at this time.

Note 6. Employee Retirement System

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

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

Note 6. Employee Retirement System (Continued)

The county's contribution for FY 2017 was \$510,839, FY 2018 was \$553,551, and FY 2019 was \$584,894.

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 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.

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

Note 6. Employee Retirement System (Continued)

Hazardous (Continued)

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

The county's contribution rate for hazardous employees was 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:

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

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

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

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

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

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

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

Note 6. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

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

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

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

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

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

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

D. Cost of Living Adjustments - Tier 1

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

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

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

F. Death Benefit

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

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

Note 6. Employee Retirement System (Continued)

KRS Annual Financial Report and Proportionate Share Audit Report

KRS issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky 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 7. 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, 2nd Floor, Frankfort, KY 40601, or by telephone at (502) 573-7925.

Note 8. Health Reimbursement 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 FEBCO, Inc., a third-party administrator, 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.

Note 9. Insurance

For the fiscal year ended June 30, 2019, 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.

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

Note 10. 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 11. 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 12. 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, 2019, the Bourbon County Fiscal Court did not abate any occupational tax license fees.

Note 13. Transfers

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

	Educational Trust Fund	John Marston Education Trust Fund	Clifton Gillespie Trust Fund	Willmott Memorial Trust Fund	Robert Meterer Trust Fund	Lucy Anderson Trust Fund	Talbott Clay Trust Fund	Howard Forquer Trust Fund	Education #1 Trust Fund	Education #2 Trust Fund	Total Transfers In
Educational Trust Fund Checking	\$	\$ 59,767	\$ 20,058	\$ 114,557	\$ 31,071	\$ 17,204	\$ 13,250	\$ 16,993	\$ 12,744	\$ 5,328	\$290,972
Willmott Memorial Trust Fund		10,723									10,723
Total Transfers Out	\$ 10,723	\$ 59,767	\$ 20,058	\$ 114,557	\$ 31,071	\$ 17,204	\$ 13,250	\$ 16,993	\$ 12,744	\$ 5,328	\$301,695

Reason for transfers:

To move resources to and from the educational trust fund checking and trust funds to the funds that will expend them.

Note 14. Prior Period Balance Restatement

The beginning fund balance of the general fund was restated and decreased by \$49,563 to remove the payroll fringe account. The beginning fund balance of the jail construction fund was restated and increased by \$26,901 to account for an intrafund transfer.

BOURBON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2019

THIS PAGE LEFT BLANK INTENTIONALLY

BOURBON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2019

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 4,045,500	\$ 4,045,500	\$ 4,482,519	\$ 437,019
Excess Fees	767,935	1,565,376	1,085,700	(479,676)
Licenses and Permits	72,700	72,700	92,239	19,539
Intergovernmental	2,046,927	3,346,443	1,250,370	(2,096,073)
Charges for Services	15,000	15,000	10,885	(4,115)
Miscellaneous	175,530	228,430	222,920	(5,510)
Interest	12,000	12,000	24,977	12,977
Total Receipts	<u>7,135,592</u>	<u>9,285,449</u>	<u>7,169,610</u>	<u>(2,115,839)</u>
DISBURSEMENTS				
General Government	2,195,956	3,257,041	2,367,802	889,239
Protection to Persons and Property	1,466,485	1,510,169	1,326,751	183,418
General Health and Sanitation	1,653,041	1,653,041	220,530	1,432,511
Social Services	248,766	248,766	217,365	31,401
Recreation and Culture	324,714	324,714	249,585	75,129
Debt Service	807,799	807,817	802,407	5,410
Capital Projects	50,000	50,000		50,000
Administration	2,188,831	2,947,905	1,759,878	1,188,027
Total Disbursements	<u>8,935,592</u>	<u>10,799,453</u>	<u>6,944,318</u>	<u>3,855,135</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,800,000)</u>	<u>(1,514,004)</u>	<u>225,292</u>	<u>1,739,296</u>
Net Change in Fund Balance	(1,800,000)	(1,514,004)	225,292	1,739,296
Fund Balance - Beginning (Restated)	<u>1,800,000</u>	<u>1,800,000</u>	<u>1,955,771</u>	<u>155,771</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 285,996</u>	<u>\$ 2,181,063</u>	<u>\$ 1,895,067</u>

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

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,183,077	\$ 1,183,077	\$ 1,400,051	\$ 216,974
Miscellaneous	20,000	20,000	1,148	(18,852)
Interest	7,000	7,000	12,155	5,155
Total Receipts	<u>1,210,077</u>	<u>1,210,077</u>	<u>1,413,354</u>	<u>203,277</u>
DISBURSEMENTS				
General Health and Sanitation	30,000	30,000	18,512	11,488
Roads	919,313	919,313	590,169	329,144
Capital Projects	298,658	576,158	282,500	293,658
Administration	512,106	512,106	273,343	238,763
Total Disbursements	<u>1,760,077</u>	<u>2,037,577</u>	<u>1,164,524</u>	<u>873,053</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(550,000)</u>	<u>(827,500)</u>	<u>248,830</u>	<u>1,076,330</u>
Net Change in Fund Balance	(550,000)	(827,500)	248,830	1,076,330
Fund Balance - Beginning	<u>550,000</u>	<u>550,000</u>	<u>641,278</u>	<u>91,278</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (277,500)</u>	<u>\$ 890,108</u>	<u>\$ 1,167,608</u>

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

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 161,600	\$ 161,600	\$ 164,260	\$ 2,660
Miscellaneous	5,000	5,000	1,794	(3,206)
Interest	2,500	2,500	4,553	2,053
Total Receipts	<u>169,100</u>	<u>169,100</u>	<u>170,607</u>	<u>1,507</u>
DISBURSEMENTS				
Protection to Persons and Property	152,103	152,103	73,327	78,776
Administration	193,262	193,262	42,019	151,243
Total Disbursements	<u>345,365</u>	<u>345,365</u>	<u>115,346</u>	<u>230,019</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(176,265)</u>	<u>(176,265)</u>	<u>55,261</u>	<u>231,526</u>
Net Change in Fund Balance	(176,265)	(176,265)	55,261	231,526
Fund Balance - Beginning	<u>176,265</u>	<u>176,265</u>	<u>303,144</u>	<u>126,879</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 358,405</u>	<u>\$ 358,405</u>

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

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Intergovernmental	\$ 50,000	\$ 50,000	\$ 84,806	\$ 34,806
Interest	900	900	1,270	370
Total Receipts	<u>50,900</u>	<u>50,900</u>	<u>86,076</u>	<u>35,176</u>
DISBURSEMENTS				
Protection to Persons and Property	50,000	58,496	58,432	64
Capital Projects	70,900	70,900		70,900
Total Disbursements	<u>120,900</u>	<u>129,396</u>	<u>58,432</u>	<u>70,964</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(70,000)</u>	<u>(78,496)</u>	<u>27,644</u>	<u>106,140</u>
Net Change in Fund Balance	(70,000)	(78,496)	27,644	106,140
Fund Balance - Beginning	<u>70,000</u>	<u>70,000</u>	<u>97,079</u>	<u>27,079</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (8,496)</u>	<u>\$ 124,723</u>	<u>\$ 133,219</u>

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

COURTHOUSE BOND FUND				
	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Taxes	\$	\$	\$	\$
Total Receipts				
DISBURSEMENTS				
Debt Service	1	1		1
Total Disbursements	1	1		1
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1)	(1)		1
Net Change in Fund Balance	(1)	(1)		1
Fund Balance - Beginning	1	1		(1)
Fund Balance - Ending	\$ 0	\$ 0	\$ 0	\$ 0

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

	GRANT FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$	\$		\$
Total Receipts				
DISBURSEMENTS				
Protection to Persons and Property				
Debt Service				
Capital Projects				
Total Disbursements				
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)				
Net Change in Fund Balance				
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 0	\$ 0

This fund had no activity.

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

JAIL CONSTRUCTION FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$	\$	\$ 16,420	\$ 16,420
Total Receipts			16,420	16,420
DISBURSEMENTS				
Protection to Persons and Property		1,984	1,984	
Debt Service		26,900		26,900
Capital Projects	672,972	644,088	158,324	485,764
Total Disbursements	672,972	672,972	160,308	512,664
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(672,972)	(672,972)	(143,888)	529,084
Net Change in Fund Balance	(672,972)	(672,972)	(143,888)	529,084
Fund Balance - Beginning (Restated)	672,972	672,972	984,989	312,017
Fund Balance - Ending	\$ 0	\$ 0	\$ 841,101	\$ 841,101

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

	PHASE I FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 268,000	\$ 300,000	\$ 300,000	\$
Interest			1,897	1,897
Total Receipts	<u>268,000</u>	<u>300,000</u>	<u>301,897</u>	<u>1,897</u>
DISBURSEMENTS				
Administration	268,000	300,000	356,077	(56,077)
Total Disbursements	<u>268,000</u>	<u>300,000</u>	<u>356,077</u>	<u>(56,077)</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			<u>(54,180)</u>	<u>(54,180)</u>
Net Change in Fund Balance			(54,180)	(54,180)
Fund Balance - Beginning			<u>105,662</u>	<u>105,662</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 51,482</u>	<u>\$ 51,482</u>

BOURBON 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

Phase 1 fund administration exceeded budgeted appropriations by \$56,077.

THIS PAGE LEFT BLANK INTENTIONALLY

BOURBON COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2019

THIS PAGE LEFT BLANK INTENTIONALLY

BOURBON 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 and Land Improvements	\$ 856,877	\$	\$	\$ 856,877
Buildings and Improvements	19,381,146			19,381,146
Vehicles and Equipment *	1,763,607			1,763,607
Other Equipment	2,143,305	136,480	82,012	2,197,773
Infrastructure	9,690,000	552,336		10,242,336
 Total Capital Assets	 <u>\$ 33,834,935</u>	 <u>\$ 688,816</u>	 <u>\$ 82,012</u>	 <u>\$34,441,739</u>

BOURBON 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.

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

Note 2. Restatement of Capital Assets Beginning Balance

Vehicles and equipment's beginning balance was restated by \$72,787 due to errors and omissions in prior years.

**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***

THIS PAGE LEFT BLANK INTENTIONALLY



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

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, 2019 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 January 9, 2020.

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 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.

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 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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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, appearing to read "Mike H", with a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts

January 9, 2020

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

BOURBON COUNTY FISCAL COURT

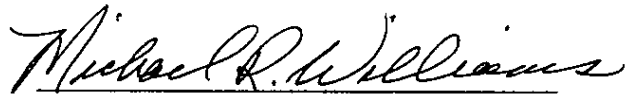
For The Year Ended June 30, 2019

THIS PAGE LEFT BLANK INTENTIONALLY


CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
BOURBON COUNTY FISCAL COURT

For The Year Ended June 30, 2019

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.

Handwritten signature of Michael R. Williams in cursive script, written over a horizontal line.

County Judge/Executive

Handwritten signature of Dana H. Boone in cursive script, written over a horizontal line.

County Treasurer