

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

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



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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 Tina Teegarden, Bracken County Judge/Executive
The Honorable Earl Bush, Former Bracken County Judge/Executive
Members of the Bracken 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 Bracken County Fiscal Court, for the year ended June 30, 2019, and the related notes to the financial statement which collectively comprise the Bracken 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.



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Auditor's Responsibility (Continued)

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

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 Bracken 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 Bracken 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 Bracken 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 Bracken 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.

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Other Matters (Continued)

Supplementary and Other Information (Continued)

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2020, on our consideration of the Bracken 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 Bracken 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

February 14, 2020

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

Earl Bush (7/1/2018 - 12/31/2018)	County Judge/Executive
Tina Teegarden (1/7/2019 - present)	County Judge/Executive
Carl Allen, Jr.	Magistrate
John Corlis	Magistrate
Matthew Clark Hennessey, Jr. (7/1/2018 - 1/7/2019)	Magistrate
Craig Miller (1/7/2019 - present)	Magistrate
David Hughes (7/1/2018 - 1/7/2019)	Magistrate
Chris Cummins (1/7/2019 - present)	Magistrate
Dennis Jefferson	Magistrate
David Kelsch	Magistrate
Scotty Lippert, Jr.	Magistrate
Doug Smith	Magistrate

Other Elected Officials:

Beth Moore	County Attorney
James Cox (7/1/2018 - 1/7/2019)	Jailer
Charles Clos (1/7/2019 - present)	Jailer
Rae Jean Poe	County Clerk
Heather Rehtin	Circuit Court Clerk
Howard Niemeier	Sheriff
Tracey Florer	Property Valuation Administrator
John G. Parker	Coroner

Appointed Personnel:

Judith F. Brothers	County Treasurer
Tina Teegarden (7/1/2018 - 1/7/2019)	Financial Officer
Lois Garrison (1/7/2019 - present)	Financial Officer

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

For The Year Ended June 30, 2019

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

For The Year Ended June 30, 2019

	<u>Budgeted Funds</u>		
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
RECEIPTS			
Taxes	\$ 2,530,409	\$	\$
In Lieu Tax Payments	260		
Excess Fees	68,968		
Licenses and Permits	3,300		
Intergovernmental	320,333	1,522,302	72,277
Charges for Services	845		10,528
Miscellaneous	97,851	84,498	2,842
Interest	11,494	441	22
Total Receipts	<u>3,033,460</u>	<u>1,607,241</u>	<u>85,669</u>
DISBURSEMENTS			
General Government	912,017		
Protection to Persons and Property	124,880		185,689
General Health and Sanitation	158,412		
Social Services	4,500		
Recreation and Culture	165,627		
Roads	200,000	1,542,705	
Bus Services	10,440		
Debt Service			
Capital Projects		8,391	
Administration	745,648	186,895	47,142
Total Disbursements	<u>2,321,524</u>	<u>1,737,991</u>	<u>232,831</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>711,936</u>	<u>(130,750)</u>	<u>(147,162)</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds		123,197	140,000
Transfers To Other Funds	(333,197)		
Total Other Adjustments to Cash (Uses)	<u>(333,197)</u>	<u>123,197</u>	<u>140,000</u>
Net Change in Fund Balance	378,739	(7,553)	(7,162)
Fund Balance - Beginning (Restated)	<u>3,562,366</u>	<u>15,357</u>	<u>18,403</u>
Fund Balance - Ending	<u>\$ 3,941,105</u>	<u>\$ 7,804</u>	<u>\$ 11,241</u>
Composition of Fund Balance			
Bank Balance	\$ 4,078,931	\$ 28,776	\$ 22,222
Plus: Deposits In Transit			30,000
Less: Outstanding Checks	(137,826)	(20,972)	(40,981)
Fund Balance - Ending	<u>\$ 3,941,105</u>	<u>\$ 7,804</u>	<u>\$ 11,241</u>

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

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

<u>Budgeted Funds</u>			<u>Unbudgeted Fund</u>	
<u>Local Government Economic Assistance Fund</u>	<u>Senior Citizens Fund</u>	<u>Dispatch/ 911 Fund</u>	<u>Public Properties Corporation Fund</u>	<u>Total Funds</u>
\$	\$	\$ 60,011	\$	\$ 2,590,420
				260
				68,968
				3,300
5,232		139,962	1,049,581	3,109,687
				11,373
	3,600	207		188,998
		19	379	12,355
<u>5,232</u>	<u>3,600</u>	<u>200,199</u>	<u>1,049,960</u>	<u>5,985,361</u>
	8,064			920,081
		206,389		516,958
				158,412
				4,500
				165,627
5,232				1,747,937
				10,440
			1,046,331	1,046,331
				8,391
		71,535	3,250	1,054,470
<u>5,232</u>	<u>8,064</u>	<u>277,924</u>	<u>1,049,581</u>	<u>5,633,147</u>
	(4,464)	(77,725)	379	352,214
		70,000		333,197
				(333,197)
		70,000		
	(4,464)	(7,725)	379	352,214
	21,876	36,337	596	3,654,935
<u>\$ 0</u>	<u>\$ 17,412</u>	<u>\$ 28,612</u>	<u>\$ 975</u>	<u>\$ 4,007,149</u>
\$	\$ 17,487	\$ 29,243	\$ 975	\$ 4,177,634
	(75)	(631)		30,000
				(200,485)
<u>\$ 0</u>	<u>\$ 17,412</u>	<u>\$ 28,612</u>	<u>\$ 975</u>	<u>\$ 4,007,149</u>

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

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TO THE FINANCIAL STATEMENT**

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BRACKEN COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2019

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

BRACKEN 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.

Senior Fund - The primary purpose of this fund is to account for rental receipts and maintenance expenses of the senior citizens building.

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

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Public Properties Corporation Fund - The primary purpose of this fund is to account for the financing and construction of major capital facilities. This fund handles financial activities associated with the judicial center construction. 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 public properties corporation fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

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

Note 1. Summary of Significant Accounting Policies (Continued)

E. Bracken County Elected Officials

Kentucky law provides for election of the officials listed below from the geographic area constituting Bracken 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 Bracken County Fiscal Court.

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

F. Deposits and Investments

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

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

G. Long-term Obligations

The fund financial statement recognizes bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as disbursements. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as disbursements. Debt proceeds are reported as other adjustments to cash.

H. Interlocal Agreements

In June 2018, Bracken County and the City of Augusta entered into an Interlocal Cooperation Agreement in order to provide financing for repairs to the community pool in Augusta. Per terms of the agreement, Bracken County will provide a loan to Augusta in the amount of \$150,000 to be used to repair the community pool. Augusta is to pay back the Bracken County Fiscal Court over a period of 20 years with payment of \$7,500 to be made to the county one time each fiscal year. The payment each fiscal year shall be made from the donation the Bracken County Fiscal Court gives to the City of Augusta each year for recreation.

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

Note 1. Summary of Significant Accounting Policies (Continued)

H. Interlocal Agreements (Continued)

In 2017, Bracken County and the Augusta Regional Sewer Authority (Authority) entered into an Interlocal Cooperation Agreement in order to purchase land. Per terms of the agreement, Bracken County will purchase the land for the amount of \$174,537 to be used by the Augusta Regional Sewer Authority. In 2018, a portion of the land was sold for \$105,030, leaving a balance of \$69,507 as of June 30, 2019. The Authority is to pay back Bracken County Fiscal Court when the Authority has the funding.

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	Total Transfers In
Road Fund	\$ 123,197	\$ 123,197
Jail Fund	140,000	140,000
Dispatch/911 Fund	70,000	70,000
Total Transfers Out	<u>\$ 333,197</u>	<u>\$ 333,197</u>

Reason for transfers:

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

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

Note 4. Long-term Debt

A. First Mortgage Revenue Bonds, Series 2011 - Judicial Center

On August 2, 2011, the Public Properties Corporation issued first mortgage revenue bonds in the amount of \$15,960,000 to finance the construction of the Bracken County Judicial Center and to retire the 2009 bond anticipation notes. The bonds have interest rates from 2 percent to 5 percent with a retirement date of February 1, 2031. Semi-annual interest payments are due on August 1 and February 1 of each year. Funding of the debt service is provided by a lease agreement with the Kentucky Administrative Office of the Courts. On December 21, 2017, these bonds were partially defeased with First Mortgage Revenue Refunding Bonds, Series 2017. The outstanding principal balance as of June 30, 2019, is \$3,000,000. Future principal and interest payments are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 715,000	\$ 92,812
2021	735,000	70,144
2022	760,000	44,900
2023	790,000	15,800
Totals	<u>\$ 3,000,000</u>	<u>\$ 223,656</u>

B. First Mortgage Revenue Refunding Bonds, Series 2017 - Judicial Center

On December 2, 2017, the Public Properties Corporation issued first mortgage revenue refunding bonds, Series 2017, in the amount of \$8,410,000. The proceeds of this issue were used to pay off the first mortgage revenue bonds, series 2011, which was used for the construction of the judicial center. The bonds have interest rates ranging from 2 percent to 3 percent with a retirement date of August 1, 2030. The bonds require interest payments to be made in February and August of each year beginning on February 1, 2018. Annual principal amounts begin August 1, 2019. The outstanding principal balance as of June 30, 2019, is \$8,410,000. Future principal and interest payments are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 40,000	\$ 242,044
2021	90,000	240,744
2022	90,000	238,944
2023	95,000	237,034
2024	910,000	225,787
2025-2029	4,975,000	713,625
2030-2031	2,210,000	66,750
Totals	<u>\$ 8,410,000</u>	<u>\$ 1,964,928</u>

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

Note 4. Long-term Debt (Continued)

C. Changes In Long-term Debt

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue Bonds	\$ 12,100,000	\$	\$ 690,000	\$11,410,000	\$ 755,000
Total Long-term Debt	<u>\$ 12,100,000</u>	<u>\$ 0</u>	<u>\$ 690,000</u>	<u>\$11,410,000</u>	<u>\$ 755,000</u>

Note 5. 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 \$258,695, FY 2018 was \$277,169, and FY 2019 was \$313,345.

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.

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

Note 5. Employee Retirement System (Continued)

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:

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%

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

Note 5. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (Continued)

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.

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.

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

Note 5. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

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.

Note 6. Deferred Compensation

The Bracken 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.

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

Note 6. Deferred Compensation (Continued)

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 7. Health Reimbursement Account/Flexible Spending Account

The Bracken County Fiscal Court established a health reimbursement account to provide employees an additional health benefit. The county has contracted with a third-party administrator to administer the plan. The plan provides a debit card to each employee providing \$2,000 each year (for a single plan) or \$2,500 (with a dependent) to pay for qualified medical expenses. Employees may also contribute additional pre-tax funds through payroll deduction.

Note 8. Insurance

For the fiscal year ended June 30, 2019, the Bracken County Fiscal Court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 9. Related Party Transactions

- A. A magistrate owns a local company that conducts business with the county. During fiscal year ended June 30, 2019, the Bracken County Fiscal Court purchased \$669 in supplies from this company.
- B. A magistrate is employed by a local company that conducts business with the county. During fiscal year ended June 30, 2019, the Bracken County Fiscal Court purchased \$8,893 in supplies from this company. This magistrate also has a family-interest in another local company that conducts business with the county. During fiscal year ended June 30, 2019, the Bracken County Fiscal Court purchased \$2,012 in supplies from this company.

Note 10. Prior Period Adjustments

The beginning balance of the general fund was increased by \$51 for a prior year voided check. The beginning balance of the road fund was decreased \$37 due to an omitted prior year check.

BRACKEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2019

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BRACKEN 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	\$ 1,816,000	\$ 1,816,000	\$ 2,530,409	\$ 714,409
In Lieu Tax Payments	100	100	260	160
Excess Fees			68,968	68,968
Licenses and Permits	5,400	5,400	3,300	(2,100)
Intergovernmental	424,200	424,200	320,333	(103,867)
Charges for Services	2,000	2,000	845	(1,155)
Miscellaneous	21,400	21,400	97,851	76,451
Interest	8,120	8,120	11,494	3,374
Total Receipts	<u>2,277,220</u>	<u>2,277,220</u>	<u>3,033,460</u>	<u>756,240</u>
DISBURSEMENTS				
General Government	1,216,414	1,241,998	912,017	329,981
Protection to Persons and Property	159,085	180,755	124,880	55,875
General Health and Sanitation	143,609	189,358	158,412	30,946
Social Services	6,000	6,000	4,500	1,500
Recreation and Culture	229,300	229,395	165,627	63,768
Roads	250,000	250,000	200,000	50,000
Bus Services	16,000	16,000	10,440	5,560
Administration	3,638,660	3,545,562	745,648	2,799,914
Total Disbursements	<u>5,659,068</u>	<u>5,659,068</u>	<u>2,321,524</u>	<u>3,337,544</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(3,381,848)</u>	<u>(3,381,848)</u>	<u>711,936</u>	<u>4,093,784</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(583,240)</u>	<u>(583,240)</u>	<u>(333,197)</u>	<u>250,043</u>
Total Other Adjustments to Cash (Uses)	<u>(583,240)</u>	<u>(583,240)</u>	<u>(333,197)</u>	<u>250,043</u>
Net Change in Fund Balance	(3,965,088)	(3,965,088)	378,739	4,343,827
Fund Balance - Beginning (Restated)	<u>3,965,088</u>	<u>3,965,088</u>	<u>3,562,366</u>	<u>(402,722)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,941,105</u>	<u>\$ 3,941,105</u>

BRACKEN 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	\$ 1,616,102	\$ 1,616,102	\$ 1,522,302	\$ (93,800)
Miscellaneous	51,000	51,000	84,498	33,498
Interest	500	500	441	(59)
Total Receipts	<u>1,667,602</u>	<u>1,667,602</u>	<u>1,607,241</u>	<u>(60,361)</u>
DISBURSEMENTS				
Roads	1,723,613	1,730,495	1,542,705	187,790
Capital Projects	9,900	9,900	8,391	1,509
Administration	296,586	289,704	186,895	102,809
Total Disbursements	<u>2,030,099</u>	<u>2,030,099</u>	<u>1,737,991</u>	<u>292,108</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(362,497)</u>	<u>(362,497)</u>	<u>(130,750)</u>	<u>231,747</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	296,458	296,458	123,197	(173,261)
Total Other Adjustments to Cash (Uses)	<u>296,458</u>	<u>296,458</u>	<u>123,197</u>	<u>(173,261)</u>
Net Change in Fund Balance	(66,039)	(66,039)	(7,553)	58,486
Fund Balance - Beginning (Restated)	<u>66,039</u>	<u>66,039</u>	<u>15,357</u>	<u>(50,682)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7,804</u>	<u>\$ 7,804</u>

BRACKEN 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	\$ 81,665	\$ 81,665	\$ 72,277	\$ (9,388)
Charges for Services	10,000	10,000	10,528	528
Miscellaneous	1,000	1,000	2,842	1,842
Interest	10	10	22	12
Total Receipts	<u>92,675</u>	<u>92,675</u>	<u>85,669</u>	<u>(7,006)</u>
DISBURSEMENTS				
Protection to Persons and Property	265,539	239,144	185,689	53,455
Administration	45,359	71,754	47,142	24,612
Total Disbursements	<u>310,898</u>	<u>310,898</u>	<u>232,831</u>	<u>78,067</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(218,223)</u>	<u>(218,223)</u>	<u>(147,162)</u>	<u>71,061</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>215,223</u>	<u>215,223</u>	<u>140,000</u>	<u>(75,223)</u>
Total Other Adjustments to Cash (Uses)	<u>215,223</u>	<u>215,223</u>	<u>140,000</u>	<u>(75,223)</u>
Net Change in Fund Balance	(3,000)	(3,000)	(7,162)	(4,162)
Fund Balance - Beginning	<u>3,000</u>	<u>3,000</u>	<u>18,403</u>	<u>15,403</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 11,241</u>	<u>\$ 11,241</u>

BRACKEN 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		
RECEIPTS				
Intergovernmental	\$ 36,000	\$ 36,000	\$ 5,232	\$ (30,768)
Total Receipts	<u>36,000</u>	<u>36,000</u>	<u>5,232</u>	<u>(30,768)</u>
DISBURSEMENTS				
Roads	36,020	36,020	5,232	30,788
Total Disbursements	<u>36,020</u>	<u>36,020</u>	<u>5,232</u>	<u>30,788</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(20)</u>	<u>(20)</u>		<u>20</u>
Net Change in Fund Balance	(20)	(20)		20
Fund Balance - Beginning	<u>20</u>	<u>20</u>		<u>(20)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

	SENIOR FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 3,600	\$ 3,600	\$ 3,600	\$
Interest	11	11		(11)
Total Receipts	<u>3,611</u>	<u>3,611</u>	<u>3,600</u>	<u>(11)</u>
DISBURSEMENTS				
General Government	17,000	17,000	8,064	8,936
Administration	9,657	9,657		9,657
Total Disbursements	<u>26,657</u>	<u>26,657</u>	<u>8,064</u>	<u>18,593</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(23,046)</u>	<u>(23,046)</u>	<u>(4,464)</u>	<u>18,582</u>
Net Change in Fund Balance	(23,046)	(23,046)	(4,464)	18,582
Fund Balance - Beginning	<u>23,046</u>	<u>23,046</u>	<u>21,876</u>	<u>(1,170)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 17,412</u>	<u>\$ 17,412</u>

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

	DISPTACH FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 67,000	\$ 67,000	\$ 60,011	\$ (6,989)
Intergovernmental	121,000	121,000	139,962	18,962
Charges for Services	17,700	17,700		(17,700)
Miscellaneous			207	207
Interest	11	11	19	8
Total Receipts	<u>205,711</u>	<u>205,711</u>	<u>200,199</u>	<u>(5,512)</u>
DISBURSEMENTS				
Protection to Persons and Property	224,954	234,433	206,389	28,044
Administration	82,407	72,928	71,535	1,393
Total Disbursements	<u>307,361</u>	<u>307,361</u>	<u>277,924</u>	<u>29,437</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(101,650)</u>	<u>(101,650)</u>	<u>(77,725)</u>	<u>23,925</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	71,559	71,559	70,000	(1,559)
Total Other Adjustments to Cash (Uses)	<u>71,559</u>	<u>71,559</u>	<u>70,000</u>	<u>(1,559)</u>
Net Change in Fund Balance	(30,091)	(30,091)	(7,725)	22,366
Fund Balance - Beginning	<u>30,091</u>	<u>30,091</u>	<u>36,337</u>	<u>6,246</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 28,612</u>	<u>\$ 28,612</u>

BRACKEN 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.

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BRACKEN COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2019

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BRACKEN COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2019

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 875,218	\$ 118,862	\$	\$ 994,080
Buildings	16,641,551			16,641,551
Vehicles	1,018,539	64,667	2,500	1,080,706
Equipment	1,713,755	11,570	50,000	1,675,325
Infrastructure	7,137,047	1,267,919		8,404,966
 Total Capital Assets	 <u>\$ 27,386,110</u>	 <u>\$ 1,463,018</u>	 <u>\$ 52,500</u>	 <u>\$28,796,628</u>

BRACKEN 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	\$ 12,500	10 - 60
Buildings and Building Improvements	\$ 25,000	10 - 75
Equipment	\$ 2,500	3 - 25
Vehicles	\$ 2,500	6 - 10
Infrastructure	\$ 20,000	10 - 50
Intangibles	\$ 2,500	2 - 40

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Tina Teegarden, Bracken County Judge/Executive
The Honorable Earl Bush, Former Bracken County Judge/Executive
Members of the Bracken 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 Bracken County Fiscal Court for the fiscal year ended June 30, 2019 and the related notes to the financial statement which collectively comprise the Bracken County Fiscal Court's financial statement and have issued our report thereon dated February 14, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Bracken 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 Bracken County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bracken 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 Bracken 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 Harmon", with a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts

February 14, 2020

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

BRACKEN COUNTY FISCAL COURT

For The Year Ended June 30, 2019

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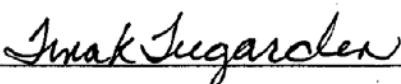
CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

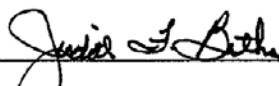
BRACKEN COUNTY FISCAL COURT

For The Year Ended June 30, 2019

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



County Judge/Executive



County Treasurer