

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

**For The Fiscal Year Ended
June 30, 2015**



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY
AUDIT OF THE
BOURBON COUNTY FISCAL COURT

June 30, 2015

The Auditor of Public Accounts has completed the audit of the Bourbon County Fiscal Court for fiscal year ended June 30, 2015.

We have issued an unmodified opinion, based on our audit, on the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Bourbon County Fiscal Court.

Financial Condition:

The Bourbon County Fiscal Court had total receipts of \$9,223,811 and disbursements of \$8,616,522 in fiscal year 2015. This resulted in a total ending fund balance of \$11,245,698, which is an increase of \$1,008,871 from the prior year.

Deposits:

The fiscal court deposits were insured and collateralized by bank securities.

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Matthew G. Bevin, Governor

William M. Landrum III, Secretary

Finance and Administration Cabinet

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, 2015, and the related notes to the financial statement which collectively comprise the Bourbon County Fiscal Court's financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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



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

As described more fully 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, 2015, 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, 2015, 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 and capital asset schedule are presented for purposes of additional analysis and are not a required part of the financial statement, however they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

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

To the People of Kentucky
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2016 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

July 27, 2016

BOURBON COUNTY OFFICIALS

For The Year Ended June 30, 2015

Fiscal Court Members:

Michael R. Williams	County Judge/Executive
Donald Ray McCarty	Magistrate
Mike Grooms	Magistrate
Mark D. Offutt	Magistrate
John N. Smoot	Magistrate
Don Menke	Magistrate
Jimmy Mason	Magistrate
Cecil Foley	Magistrate

Other Elected Officials:

Gordon Davis Wilson	County Attorney
Jon Ransdell	Jailer
Richard Stipp Eads	County Clerk
Beverly Smits	Circuit Court Clerk
Mark L. Matthews	Sheriff
Woodford Wayne Turner	Property Valuation Administrator
Rosemary Kitchen	Coroner

Appointed Personnel:

Mary Allen Hedges	County Treasurer
Mary Allen Hedges	Occupational Tax Collector
Mickie Sosby	Chief Financial Officer

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

For The Year Ended June 30, 2015

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

For The Year Ended June 30, 2015

	Budgeted Funds				
	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund	Courthouse E Bond Fund
RECEIPTS					
Taxes	\$ 4,117,176	\$	\$	\$	\$
Excess Fees	945,113				
Licenses and Permits	61,658				
Intergovernmental	520,404	1,751,543	177,499	71,309	
Charges for Services	16,260		2,132		
Miscellaneous	100,799	14,217	1,747		
Interest	12,535	6,956		776	
Total Receipts	<u>5,773,945</u>	<u>1,772,716</u>	<u>181,378</u>	<u>72,085</u>	
DISBURSEMENTS					
General Government	1,834,116	15,330			
Protection to Persons and Property	1,460,841		105,358	56,620	1
General Health and Sanitation	226,153				
Social Services	227,213				
Recreation and Culture	227,472				
Roads		719,048			
Debt Service	507,195				
Capital Projects		542,857			
Administration	1,175,617	280,637	25,421		
Total Disbursements	<u>5,658,607</u>	<u>1,557,872</u>	<u>130,779</u>	<u>56,620</u>	<u>1</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>115,338</u>	<u>214,844</u>	<u>50,599</u>	<u>15,465</u>	<u>(1)</u>
Other Adjustments to Cash (Uses)					
Bond Proceeds	395,000				
Payroll Revolving Account	6,582				
Transfers From Other Funds					
Transfers To Other Funds					
Total Other Adjustments to Cash (Uses)	<u>401,582</u>				
Net Change in Fund Balance	516,920	214,844	50,599	15,465	(1)
Fund Balance - Beginning (Restated)	1,276,806	332,185	62,512	51,830	1
Fund Balance - Ending	<u>\$ 1,793,726</u>	<u>\$ 547,029</u>	<u>\$ 113,111</u>	<u>\$ 67,295</u>	<u>\$ 0</u>
Composition of Fund Balance					
Bank Balance	\$ 1,517,824	\$ 554,591	\$ 114,119	\$ 68,782	\$
Plus: Deposits In Transit					
Payroll Revolving Account Reconciled Balance	27,149				
Less: Outstanding Checks	(20,949)	(7,562)	(1,008)	(1,487)	
Certificates of Deposit	263,481				
Investments					
Available Bond Proceeds	6,221				
Fund Balance - Ending	<u>\$ 1,793,726</u>	<u>\$ 547,029</u>	<u>\$ 113,111</u>	<u>\$ 67,295</u>	<u>\$ 0</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, 2015
(Continued)

Budgeted Funds		Unbudgeted Funds			Private Purpose Trust Funds		
Wright House Fund	Phase I Fund	Public Properties Corporation Courthouse Bonds Fund	Public Properties Corporation Bond Proceeds Fund	Educational Trust Fund Checking	Jason Marston Education Trust Fund	Clifton Gillespie Trust Fund	Willmot Memorial Trust Fund
\$	\$	\$	\$	\$	\$	\$	\$
	317,056	123,995	379,040			.	
				450	47,152	113,175	251,024
27	1,765			463	22,553	4,715	222
27	318,821	123,995	379,040	913	69,705	117,890	251,246
				281,692	20,136	3,600	35,518
		123,995	378,040				
	303,967						
	303,967	123,995	378,040	281,692	20,136	3,600	35,518
27	14,854		1,000	(280,779)	49,569	114,290	215,728
				285,678	(63,280)	(45,514)	(126,000)
				285,678	(63,280)	(45,514)	(126,000)
27	14,854		1,000	4,899	(13,711)	68,776	89,728
26,812			1,000	488,987	1,403,787	1,416,921	2,335,028
\$ 26,839	\$ 14,854	\$ 0	\$ 2,000	\$ 493,886	\$ 1,390,076	\$ 1,485,697	\$ 2,424,756
\$ 26,839	\$ 21,460	\$	\$ 2,000	\$ 495,036 3,105	\$ 102,694	\$ 34,829	\$ 201,937
	(6,606)			(4,255)			
					1,287,382	1,450,868	2,222,819
\$ 26,839	\$ 14,854	\$ 0	\$ 2,000	\$ 493,886	\$ 1,390,076	\$ 1,485,697	\$ 2,424,756

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, 2015
(Continued)

	Private Purpose Trust Funds					
	Robert Meter Trust Fund	Lucy Anderson Trust Fund	Talbott Clay Trust Fund	Ella Davis Trust Fund	FM Gillespie Trust Fund	Howard Forquer Trust Fund
RECEIPTS						
Taxes	\$	\$	\$	\$	\$	\$
Excess Fees						
Licenses and Permits						
Intergovernmental						
Charges for Services						
Miscellaneous	42,297	27,656	19,573	5,076	4,265	33,990
Interest	4,729	4	12	4	6	1,521
Total Receipts	<u>47,026</u>	<u>27,660</u>	<u>19,585</u>	<u>5,080</u>	<u>4,271</u>	<u>35,511</u>
DISBURSEMENTS						
General Government						
Protection to Persons and Property						
General Health and Sanitation						
Social Services	16,125	6,570	14,366	3,204	10,505	8,617
Recreation and Culture						
Roads						
Debt Service						
Capital Projects						
Administration						
Total Disbursements	<u>16,125</u>	<u>6,570</u>	<u>14,366</u>	<u>3,204</u>	<u>10,505</u>	<u>8,617</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>30,901</u>	<u>21,090</u>	<u>5,219</u>	<u>1,876</u>	<u>(6,234)</u>	<u>26,894</u>
Other Adjustments to Cash (Uses)						
Bond Proceeds						
Payroll Revolving Account						
Transfers From Other Funds						
Transfers To Other Funds		(13,901)				(20,325)
Total Other Adjustments to Cash (Uses)		<u>(13,901)</u>				<u>(20,325)</u>
Net Change in Fund Balance	30,901	7,189	5,219	1,876	(6,234)	6,569
Fund Balance - Beginning (Restated)	879,042	403,719	335,691	84,076	213,235	525,764
Fund Balance - Ending	<u>\$ 909,943</u>	<u>\$ 410,908</u>	<u>\$ 340,910</u>	<u>\$ 85,952</u>	<u>\$ 207,001</u>	<u>\$ 532,333</u>
Composition of Fund Balance						
Bank Balance	\$ 111,601	\$ 8,135	\$ 13,945	\$ 3,526	\$ 8,775	\$ 9,416
Plus: Deposits In Transit						
Payroll Revolving Account Reconciled Balance						
Less: Outstanding Checks						
Certificates of Deposit						
Investments	798,342	402,773	326,965	82,426	198,226	522,917
Available Bond Proceeds						
Ending Fund Balance	<u>\$ 909,943</u>	<u>\$ 410,908</u>	<u>\$ 340,910</u>	<u>\$ 85,952</u>	<u>\$ 207,001</u>	<u>\$ 532,333</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, 2015
(Continued)

<u>Private Purpose Trust Funds</u>			
<u>Educational #1 Champ, Costello, Garth, Costello Trust Fund</u>	<u>Educational #2 Kennedy, Hinkle, Redmon Trust Fund</u>	<u>Health and Welfare Trust Fund</u>	<u>Total Funds</u>
\$	\$	\$	\$ 4,117,176
			945,113
			61,658
			3,340,846
			18,392
	7,864		669,285
15,012	6	35	71,341
<u>15,012</u>	<u>7,870</u>	<u>35</u>	<u>9,223,811</u>
			1,849,446
			1,622,820
			226,153
2,800	2,389	1,119	633,854
			227,472
			719,048
			1,009,230
			542,857
			1,785,642
<u>2,800</u>	<u>2,389</u>	<u>1,119</u>	<u>8,616,522</u>
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			1,849,446
			1,622,820
			226,153
			633,854
			227,472
			719,048
			1,009,230
			542,857
			1,785,642
<u>2,800</u>	<u>2,389</u>	<u>1,119</u>	<u>8,616,522</u>
			1,849,446
			1,622,820
			226,153
			633,854
			227,472
			719,048
			1,009,230
			542,857
			1,785,642
<u>2,800</u>	<u>2,389</u>	<u>1,119</u>	<u>8,616,522</u>
			1,849,446
			1,622,820
			226,153
			633,854
			227,472
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<u>2,800</u>	<u>2,389</u>	<u>1,119</u>	<u>8,616,522</u>
			1,849,446
			1,622,820
			226,153
			633,854
			227,472
			719,048
			1,009,230
			542,

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BOURBON COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2015

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 Government 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 and 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.

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

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 government, payments from other counties for housing prisoners, and transfers from the general fund. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

Local Government Economic Assistance 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 E Bond Fund - The primary source for this account was previously for tracking expense activity for courthouse renovations.

Wright House Fund – The primary purpose of this fund is for repairs and maintenance of the center for women. The Wright House property was jointly donated to Bourbon County and the City of Paris. The primary source of receipts for this fund is rental income from women residing in the home. Since the property became vacant, Bourbon County donated the property back to the Commonwealth of Kentucky during fiscal year 2013.

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 funds:

Public Properties Corporation Courthouse Bond Fund - The public properties corporation courthouse bond fund accounts for the activities of the Public Properties Corporation, a blended component unit of the county. The Public Properties Corporation issued debt to complete renovations on the courthouse. The Department for Local Government does not require the fiscal court to report or budget this fund.

Public Properties Corporation Bond Proceeds Fund - The public properties corporation bond proceeds fund accounts for the activities of the Public Properties Corporation, a blended component unit of the county. The Public Properties Corporation issued debt to construct/finance a judicial center. The Department for Local Government does not require the fiscal court to report or budget this 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 report or budget these funds.

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

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 Government 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 courthouse bonds fund, the public properties corporation bond proceeds fund, or the educational trust fund checking to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from these funds annually.

E. Bourbon County Elected Officials

Kentucky law provides for election of the officials 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 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.

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, 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. 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 county 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, 2015, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 2. Deposits and Investments (Continued)

B. Cash and Investments By Type

As of June 30, 2015, the fiscal court had the following investments and maturities:

I. Cash	<u>Cost</u>
Cash	\$ 3,307,217
Certificate of Deposit	263,481
Money Market	<u>7,668,779</u>
Total Cash	<u><u>\$ 11,239,477</u></u>

II. Investments

Type	Cost Basis	<u>Maturities (In Years)</u>			
		Less Than 1	1-5	6-10	More Than 10
Fixed Income Investments:					
Corporate Bonds	\$ 470,509	\$	\$ 470,509	\$	\$
Governmental Bonds	<u>358,773</u>		<u>264,080</u>	<u>14,738</u>	<u>79,955</u>
Total	<u><u>\$ 829,282</u></u>	<u><u>\$</u></u>	<u><u>\$ 734,589</u></u>	<u><u>\$ 14,738</u></u>	<u><u>\$ 79,955</u></u>

III. Other Investments:

Common Stock	\$ 1,539,651
Mutual Funds	<u>5,299,846</u>
	<u><u>6,839,497</u></u>
Total Investments	<u><u>\$ 7,668,779</u></u>

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 \$263,481 of certificates of deposits and \$7,668,779 of investments in securities held by the counterparties' trust departments in the fiscal court's name. The counterparty maintains the \$263,481 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, 2015
(Continued)

Note 2. Deposits and Investments (Continued)

B. Cash and Investments By Type (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 which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations, including surety bonds, permitted by KRS 41.240(4).
- 5) Uncollateralized certificates of deposit issued by any bank or savings and loan institution rated in one of the three highest categories by a nationally recognized rating agency.
- 6) Bankers' acceptances for banks rated in one of the three highest categories by a nationally recognized rating agency.
- 7) Commercial paper rated in the highest category by a nationally recognized 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 nationally recognized rating agency.
- 10) Shares of mutual funds, each of which shall have the following characteristics:
 - a) The mutual funds shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;
 - b) The management company of the investment company shall have been in operation for at least five years; and
 - c) All of the securities in the mutual fund shall be eligible investments pursuant to this section.

The fiscal court is limited to investing no more than 20% in categories 5, 6, 7, and 9 above per state statute. The county had no investment policy that would further limit its investment choices. As of June 30, 2015, the fiscal court does not have investments in these categories that exceed the 20% limit set by state statute.

The fiscal court's rated investments, as of June 30, 2015, and the ratings are presented in the table below. All issuers of the municipal bonds are located in the Commonwealth of Kentucky.

Investments and Credit Ratings

Type	Standard & Poor's/Moody's Credit Ratings				Cost Basis
	AAA	BAA3	B	Unrated	
Fixed Income Investments:					
Corporate Bonds	\$	\$ 470,509	\$	\$	\$ 470,509
Government Bonds	358,773				358,773
Common Stock			1,539,651		1,539,651
Mutual Funds				5,299,846	5,299,846
Total Investments	\$ 358,773	\$ 470,509	\$ 1,539,651	\$ 5,299,846	\$ 7,668,779

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 2. Deposits and Investments (Continued)

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the fiscal court's investment in single issuer. U.S. Government securities and investments in mutual funds are excluded from this risk. The fiscal court does have 5% or more of the fiscal court's investments invested in any single security. More than 5 percent of the fiscal court's investments are in Vanguard Admiral Index 500 Fund and Vanguard/Wellington Fund 21. These investments are 5.57% and 7.95%, respectively, of the fiscal court's total investments. 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 Educational Fund - This fund was established by the will and codicil of John Marston. The will imposed that the funds be held in perpetuity, which means that the original principal amount remain 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 Fund - This fund was established by the will and codicil of Clifton Gillespie. The will imposed that the funds be held in perpetuity, which means that the original principal amount remain intact. The primary purpose of this fund is to provide financial assistance with hospitals 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, which means the original principal amount remain 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 Fund - This fund was established by the will and codicil of Robert Meteer. The will imposed that the funds be held in perpetuity, which means the original principal amount remain 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, 2015
(Continued)

Note 3. Private Purpose Trust Funds (Continued)

Lucy Anderson Fund - This fund was established by the will and codicil of Lucy D. Anderson. The will imposed that the funds be held in perpetuity, which means the original principal amount remain 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 Fund - This fund was established by the will and codicil of Talbott Clay. The will imposed that the funds be held in perpetuity, which means the original principal amount remain 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 Fund - This fund was established by the will and codicil of Ella Davis. The will imposed that the funds be held in perpetuity, which means the original principal amount remain 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.

F. M. Gillespie Fund - This fund was established by the will and codicil of F.M. Gillespie. The will imposed that the funds be held in perpetuity, which means the original principal amount remain intact. The primary purpose of this fund is to account for income generated by the principal. The income less applicable administrative costs is for financial support to widows and orphans residing in Bourbon County, Kentucky.

Howard Forquer Fund - This fund was established by the will and codicil of Hallie H. Forquer. The will imposed that the funds be held in perpetuity, which means the original principal amount remain 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.

Health and Welfare 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.

Education #1 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.

Education #2 Fund - This fund was established to consolidate the following trust funds: Harrell-Kennedy Fund, Brooks Hinkle Fund, Lou Davis Redmon Fund, May Goff Fund in 2014.

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 4. Long-term Debt

A. Promissory Term Note Agreement

During the 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 sixty (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 sixty (60) months at a stated interest rate of 6.25%, 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 fifty-five (55) months at a stated interest rate of 6.25%, beginning November 15, 2014. As of June 30, 2015, the outstanding principal balance of this note was \$34,788. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2016	\$ 8,489	\$ 1,929
2017	9,050	1,368
2018	9,624	794
2019	7,625	197
Totals	<u>\$ 34,788</u>	<u>\$ 4,288</u>

The note is secured by a mortgage on the real estate located at 8 Legion Drive in Bourbon County.

B. First Mortgage Revenue Bonds, Series 2006 (Court Facilities Project)

On December 1, 2006, the Bourbon County Public Properties Corporation issued First Mortgage Revenue Bonds, Series 2006, in the amount of \$4,260,000 for the purpose of the defeasance of the 2000 Series Bonds, along with paying the associated costs of issuing the bond. Under this arrangement, the Corporation made provision for discharge of the 2000 Series Bonds by depositing with the Trustee permissible investment obligations sufficient to pay all principal and interest requirements on the 2000 Series Bonds to a permitted date of redemption, or to the date of maturity; consequently, the Corporation has no further liability for the 2000 Series Bonds. Principal and interest payments are due February 1, beginning in 2009, and interest, which varies from 3.4% to 4.0%, is payable semiannually on February 1 and August 1, beginning February 1, 2007. As of June 30, 2015, the principal balance was \$2,285,000.

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 4. Long-term Debt (Continued)

B. First Mortgage Revenue Bonds, Series 2006 (Court Facilities Project) (Continued)

Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2016	\$ 295,000	\$ 87,960
2017	305,000	77,045
2018	320,000	65,760
2019	330,000	53,600
2020	340,000	41,060
2021-2022	695,000	41,600
Totals	<u>\$ 2,285,000</u>	<u>\$ 367,025</u>

On December 1, 2006, the Fiscal Court entered into a lease agreement with the Administrative Office of the Courts (AOC), which states that the AOC agrees to pay 100% of the debt service requirements. The lease does not require the Fiscal Court to make any rental payments toward the project; however, the Fiscal Court is obligated to provide operation, maintenance, insurance and repair of the project. The bonds are secured by the foreclosable first mortgage on the property and an assignment by the Bourbon County Public Properties Corporation of its rights, title and interest in the lease with the AOC.

C. General Obligation Public Project Bonds, Series 2006 (Courthouse Renovations I)

On October 1, 2006, the Bourbon County Public Properties Corporation issued \$2,000,000 of General Obligation Public Bonds, Series 2006, for the purpose of renovating the courthouse. Principal payments are due biannually on August 1, beginning in 2007, and interest, which varies from 3.5% to 3.75%, is payable semi-annually on August 1 and February 1, beginning on February 1, 2007. As of June 30, 2015, the outstanding principal balance was \$470,000.

The bonds are secured by the County's ability to levy, and its pledge to levy, an annual tax to pay the principal and interest of the bonds.

Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2016	\$ 230,000	\$ 13,255
2017	240,000	4,500
Totals	<u>\$ 470,000</u>	<u>\$ 17,755</u>

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 4. Long-term Debt (Continued)

D. General Obligation Public Project Bonds, Series 2007 (Courthouse Renovations II)

On February 1, 2007, the Bourbon County Public Properties Corporation issued \$1,750,000 in General Obligation Public Project Bonds, Series 2007, for the purpose of paying additional costs relating to courthouse renovations. Principal payments are due annually on February 1, beginning in 2009, and interest, which varies from 3.625% to 3.85%, is payable semi-annually on August 1 and February 1, beginning August 1, 2007. As of June 30, 2015, the outstanding principal balance was \$1,205,000.

Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2016	\$ 80,000	\$ 46,183
2017	85,000	43,183
2018	85,000	39,952
2019	90,000	36,722
2020	95,000	33,303
2021-2025	525,000	109,725
2026-2027	245,000	14,245
Totals	<u>\$ 1,205,000</u>	<u>\$ 323,313</u>

The bonds are secured by the County's ability to levy, and its pledge to levy, an annual tax to pay the principal and interest of the bonds.

E. 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% to 3.25%, is payable semi-annually on June 20 and December 20, beginning on June 20, 2014. As of June 30, 2015, the outstanding principal balance was \$250,000. The principal amount of the debt was included with additions to long-term debt in the prior year audit; however, the bond proceeds were not received by the county until September 18, 2014.

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 4. Long-term Debt (Continued)

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

Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2016	\$ 25,000	\$ 8,000
2017	25,000	7,188
2018	25,000	6,375
2019	25,000	5,562
2020	30,000	4,675
2021-2024	<u>120,000</u>	<u>8,950</u>
Totals	<u>\$ 250,000</u>	<u>\$ 40,750</u>

F. 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% to 2.41%, is payable semi-annually on June 20 and December 20, beginning on June 20, 2014. As of June 30, 2015, the outstanding principal balance was \$95,000. The principal amount of the debt was included with additions to long-term debt in the prior year audit note; however, the bond proceeds were not received by the county until September 18, 2014.

Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2016	\$ 20,000	\$ 2,788
2017	25,000	2,063
2018	25,000	1,250
2019	<u>25,000</u>	<u>438</u>
Totals	<u>\$ 95,000</u>	<u>\$ 6,539</u>

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 4. Long-term Debt (Continued)

G. Bank Fixed Rate Lease (Fire Trucks)

On June 24, 2013, Kentucky Bank issued a fixed rate lease in the amount of \$322,442 for the purpose of leasing fire trucks. Principal and interest, which is calculated at fixed rate of 2.5%, are due biannually on June 20 and December 20, beginning on December 20, 2013. As of June 30, 2015, the outstanding principal balance was \$197,307.

Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2016	\$ 64,441	\$ 4,607
2017	65,763	2,955
2018	67,103	1,279
Totals	<u>\$ 197,307</u>	<u>\$ 8,841</u>

H. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 1,970,000	\$	\$ 295,000	\$ 1,675,000	\$ 310,000
Revenue Bonds	2,960,000		330,000	2,630,000	340,000
Financing Obligations	303,232		71,138	232,094	72,930
Total Long-term Debt	<u>\$ 5,233,232</u>	<u>\$ 0</u>	<u>\$ 696,138</u>	<u>\$ 4,537,094</u>	<u>\$ 722,930</u>

Note 5. Commitments and Contingencies

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

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 6. Employee Retirement System

A. Plan Description

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost sharing, multiple employer defined benefit pension plan that covers all eligible regular full-time members employed in non-hazardous *and hazardous duty* positions in the county. The Plan provides for retirement, disability and death benefits to plan members. Retirement benefits may be extended to beneficiaries of the plan members under certain circumstances. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute six percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 17.67 percent.

Hazardous covered employees are required to contribute eight percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute nine percent of their salary to be allocated as follows: eight percent will go to the member's account and one percent will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 34.31 percent.

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 account. Members contribute five percent (nonhazardous) and eight percent (hazardous) of their annual creditable compensation and one percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a four percent (nonhazardous) and seven and one-half percent (hazardous) employer pay credit. The employer pay credit represents a portion of the employer contribution.

The county's contribution for FY 2013 was \$475,496, FY 2014 was \$550,769, and FY 2015 was \$495,182.

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.

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.

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 6. Employee Retirement System (Continued)

CERS also 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, such 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.

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.

B. Net Pension Liability

As promulgated by GASB Statement No. 68 the total pension liability for CERS was determined by an actuarial valuation as of June 30, 2014. The total net pension liability for all employers participating in CERS was determined by an actuarial valuation as of June 30, 2014, measured as of the same date and is as follows: non-hazardous \$3,244,377,000 and hazardous \$1,201,825,000, for a total net pension liability of \$4,446,202,000 as of June 30, 2014. Based on these requirements, Bourbon County's proportionate share of the net pension liability as of June 30, 2015 is:

	<u>June 30, 2014</u>	<u>June 30, 2015</u>
Hazardous	\$ 955,000	\$ 855,000
Non-Hazardous	<u>3,449,000</u>	<u>3,048,000</u>
Totals	<u>\$ 4,404,000</u>	<u>\$ 3,903,000</u>

The complete actuarial valuation report including all actuarial assumptions and methods is publically available on the website at www.kyret.ky.gov or can be obtained as described in the paragraph above.

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

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 permits 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 Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 8. Health Reimbursement Account

The Bourbon 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, 2015, Bourbon County 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 a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 10. Payroll Revolving Account

The reconciled balance of the payroll revolving account, \$27,149 as of June 30, 2015, was added to the general fund cash balance for financial reporting purposes.

Note 11. Conduit Debt

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

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 12. Prior Period Adjustments

Budgeted Funds

General Fund:

Ending Cash Balance Prior Year	\$ 1,275,240
To Account for Payroll Fringe Balance	1,354
To adjust for prior year outstanding checks	<u>212</u>
Ending Cash Balance Prior Year (adjusted)	<u><u>\$ 1,276,806</u></u>

Phase I Fund:

Ending Cash Balance Prior Year	\$ 50,651
To Remove Funds Returned To State	<u>(50,651)</u>
Ending Cash Balance Prior Year (adjusted)	<u><u>\$ 0</u></u>

Unbudgeted Funds

Educational Trust Fund Checking:

Ending Cash Balance Prior Year	\$ 495,219
To adjust for interest earned in FY 14	68
To correct prior year errors	(100)
To adjust for prior year outstanding checks	<u>(6,200)</u>
Ending Cash Balance Prior Year (adjusted)	<u><u>\$ 488,987</u></u>

Note 13. Transfers

The table below shows the Private Purpose Trust Fund interfund transfers for fiscal year 2015.

	<u>Total Transfers Out</u>	<u>Total Transfers In</u>
Jason Marson Education Trust Fund	\$ 63,280	\$
Clifton Gillespie Trust Fund	45,514	
Willmott Memorial Trust Fund	126,000	
Lucy Anderson Trust Fund	13,901	
Howard Forquer Trust Fund	20,325	
Education Trust Fund Checking		285,678
Education #1 Champ, Costello, Garth, Costello Trust Fund	12,273	
Education #2 Kennedy, Hinkle, Redmon Trust Fund	<u>4,385</u>	
Total Transfers Out	<u><u>\$ 285,678</u></u>	<u><u>\$ 285,678</u></u>

Note 14. 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, with Bourbon County appointing three members and Nicholas County appointing two members. Additionally, the Bourbon County Fiscal Court approved a four and half year management-and-use agreement, inclusive of a lease clause for the use of the Bourbon County detention center at \$1 per year.

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BOURBON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

BOURBON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 3,882,500	\$ 3,882,500	\$ 4,117,176	\$ 234,676
Excess Fees	557,707	1,217,105	945,113	(271,992)
Licenses and Permits	54,650	54,650	61,658	7,008
Intergovernmental	2,636,807	2,638,607	520,404	(2,118,203)
Charges for Services	14,000	14,000	16,260	2,260
Miscellaneous	91,694	95,196	100,799	5,603
Interest	10,000	10,000	12,535	2,535
Total Receipts	<u>7,247,358</u>	<u>7,912,058</u>	<u>5,773,945</u>	<u>(2,138,113)</u>
DISBURSEMENTS				
General Government	1,675,777	2,363,930	1,834,116	529,814
Protection to Persons and Property	2,055,283	2,055,283	1,460,841	594,442
General Health and Sanitation	1,708,963	1,710,764	226,153	1,484,611
Social Services	810,930	812,907	227,213	585,694
Recreation and Culture	321,307	322,107	227,472	94,635
Debt Service	507,200	507,200	507,195	5
Capital Projects	36,104	36,104		36,104
Administration	1,392,836	1,364,805	1,175,617	189,188
Total Disbursements	<u>8,508,400</u>	<u>9,173,100</u>	<u>5,658,607</u>	<u>3,514,493</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,261,042)</u>	<u>(1,261,042)</u>	<u>115,338</u>	<u>1,376,380</u>
Other Adjustments to Cash (Uses)				
Bond Proceeds	61,042	61,042	395,000	(333,958)
Payroll Revolving Account			6,582	(6,582)
Total Other Adjustments to Cash (Uses)	<u>61,042</u>	<u>61,042</u>	<u>401,582</u>	<u>(340,540)</u>
Net Change in Fund Balance	(1,200,000)	(1,200,000)	516,920	1,716,920
Fund Balance Beginning (Restated)	<u>1,200,000</u>	<u>1,200,000</u>	<u>1,276,806</u>	<u>76,806</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,793,726</u>	<u>\$ 1,793,726</u>

BOURBON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,419,211	\$ 1,719,211	\$ 1,751,543	\$ 32,332
Miscellaneous		6,093	14,217	8,124
Interest	4,500	4,500	6,956	2,456
Total Receipts	<u>1,423,711</u>	<u>1,729,804</u>	<u>1,772,716</u>	<u>42,912</u>
DISBURSEMENTS				
General Health and Sanitation	40,000	40,000	15,330	24,670
Roads	814,984	851,242	719,048	132,194
Capital Projects	411,010	716,010	542,857	173,153
Administration	507,717	472,552	280,637	191,915
Total Disbursements	<u>1,773,711</u>	<u>2,079,804</u>	<u>1,557,872</u>	<u>521,932</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(350,000)</u>	<u>(350,000)</u>	<u>214,844</u>	<u>564,844</u>
Net Change in Fund Balance	(350,000)	(350,000)	214,844	564,844
Fund Balance Beginning	<u>350,000</u>	<u>350,000</u>	<u>332,185</u>	<u>(17,815)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 547,029</u>	<u>\$ 547,029</u>

BOURBON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Charges for Services	\$ 173,008	\$ 173,008	\$ 177,499	\$ 4,491
Miscellaneous			2,132	2,132
Interest	900	900	1,747	847
Total Receipts	<u>173,908</u>	<u>173,908</u>	<u>181,378</u>	<u>7,470</u>
DISBURSEMENTS				
Protection to Persons and Property	153,411	153,411	105,358	48,053
Administration	50,497	50,497	25,421	25,076
Total Disbursements	<u>203,908</u>	<u>203,908</u>	<u>130,779</u>	<u>73,129</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(30,000)</u>	<u>(30,000)</u>	<u>50,599</u>	<u>80,599</u>
Net Change in Fund Balance	(30,000)	(30,000)	50,599	80,599
Fund Balance Beginning	<u>30,000</u>	<u>30,000</u>	<u>62,512</u>	<u>32,512</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 113,111</u>	<u>\$ 113,111</u>

BOURBON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 75,000	\$ 75,000	\$ 71,309	\$ (3,691)
Interest	700	700	776	76
Total Receipts	<u>75,700</u>	<u>75,700</u>	<u>72,085</u>	<u>(3,615)</u>
DISBURSEMENTS				
Protection to Persons and Property	74,500	74,500	56,620	17,880
Capital Projects	51,200	51,200		51,200
Total Disbursements	<u>125,700</u>	<u>125,700</u>	<u>56,620</u>	<u>69,080</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(50,000)</u>	<u>(50,000)</u>	<u>15,465</u>	<u>65,465</u>
Net Change in Fund Balance	(50,000)	(50,000)	15,465	65,465
Fund Balance Beginning	<u>50,000</u>	<u>50,000</u>	<u>51,830</u>	<u>1,830</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 67,295</u>	<u>\$ 67,295</u>

BOURBON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

COURTHOUSE E BOND FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Total Receipts	\$ 0	\$ 0	\$ 0	\$ 0
DISBURSEMENTS				
Protection to Persons and Property	1,001	1,001	1	1,000
Total Disbursements	1,001	1,001	1	1,000
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,001)	(1,001)	(1)	1,000
Net Change in Fund Balance	(1,001)	(1,001)	(1)	1,000
Fund Balance Beginning	1,001	1,001	1	(1,000)
Fund Balance - Ending	\$ 0	\$ 0	\$ 0	\$ 0

BOURBON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

WRIGHT HOUSE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$ 30	\$ 30	\$ 27	\$ (3)
Total Receipts	30	30	27	(3)
DISBURSEMENTS				
General Government	26,842	26,842		26,842
Total Disbursements	26,842	26,842		26,842
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(26,812)	(26,812)	27	26,839
Net Change in Fund Balance	(26,812)	(26,812)	27	26,839
Fund Balance Beginning	26,812	26,812	26,812	
Fund Balance - Ending	\$ 0	\$ 0	\$ 26,839	\$ 26,839

BOURBON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

	PHASE I FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 8,806	\$ 317,056	\$ 317,056	\$
Interest			1,765	1,765
Total Receipts	<u>8,806</u>	<u>317,056</u>	<u>318,821</u>	<u>1,765</u>
DISBURSEMENTS				
Administration	58,774	367,024	303,967	63,057
Total Disbursements	<u>58,774</u>	<u>367,024</u>	<u>303,967</u>	<u>63,057</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(49,968)</u>	<u>(49,968)</u>	<u>14,854</u>	<u>64,822</u>
Net Change in Fund Balance	(49,968)	(49,968)	14,854	64,822
Fund Balance Beginning	<u>49,968</u>	<u>49,968</u>		<u>(49,968)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 14,854</u>	<u>\$ 14,854</u>

BOURBON COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2015

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 Government 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.

**BOURBON COUNTY
SUPPLEMENTARY SCHEDULE
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015**

BOURBON COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

The fiscal court reports the following schedule of capital assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 856,877	\$	\$	\$ 856,877
Construction In Progress		21,000		21,000
Buildings and Building Improvements	11,647,176			11,647,176
Vehicles and Equipment	1,878,843	27,000	73,932	1,831,911
Other Equipment	1,844,409	65,901	12,560	1,897,750
Infrastructure	7,231,953	597,817		7,829,770
	<u>\$ 23,459,258</u>	<u>\$ 711,718</u>	<u>\$ 86,492</u>	<u>\$24,084,484</u>
Total Capital Assets				

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

June 30, 2015

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 and Land Improvements	\$ 25,000	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-25
Infrastructure	\$ 25,000	10-50

**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***



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, 2015 and the related notes to the financial statement which collectively comprise the Bourbon County Fiscal Court's financial statement and have issued our report thereon dated July 27, 2016.

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 Harmon", with a long horizontal flourish extending to the right.

Mike Harmon
Auditor of Public Accounts

July 27, 2016

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

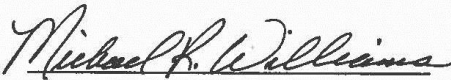
BOURBON COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2015**

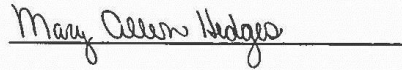
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
BOURBON COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2015

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.



County Judge/Executive



County Treasurer

