

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

**For The Fiscal Year Ended
June 30, 2017**



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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

The Honorable Matthew G. Bevin, Governor

William M. Landrum III, Secretary

Finance and Administration Cabinet

The Honorable Michael R. Williams, Bourbon County Judge/Executive

Members of the Bourbon County Fiscal Court

The enclosed report prepared by Tichenor & Associates, LLP, Certified Public Accountants, presents the financial statement of Bourbon County, Kentucky, for the year ended June 30, 2017.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon".

Mike Harmon

Auditor of Public Accounts

Enclosure



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To the People of Kentucky

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Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Bourbon County Fiscal Court, for the year ended June 30, 2017, and the related notes to the financial statement which collectively comprise the Bourbon County Fiscal Court's financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

To the People of Kentucky
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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the Bourbon County Fiscal Court on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Bourbon County Fiscal Court as of June 30, 2017, 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, 2017, 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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William M. Landrum III, Secretary
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The Honorable Michael R. Williams, Bourbon County Judge/Executive
Members of the Bourbon County Fiscal Court

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2018, on our consideration of the Bourbon County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bourbon County Fiscal Court's internal control over financial reporting and compliance.

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

- 2017-001 The Bourbon County Fiscal Court Did Not Record All Activity Related To The Jail Construction Fund
- 2017-002 The Bourbon County Fiscal Court Overspent Its Budget In The Administration Expense Category In The Jail Construction Fund
- 2017-003 The Bourbon County Fiscal Court Is Not Following Its Personnel Vacation Policy

Respectfully submitted,

Tichenor & Associates, LLP

Tichenor & Associates, LLP
Certified Public Accountants
Louisville, Kentucky

May 18, 2018

BOURBON COUNTY OFFICIALS

For The Year Ended June 30, 2017

Fiscal Court Members:

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

Other Elected Officials:

Gordon D. Wilson	County Attorney
John A. Ransdell	Jailer/Transport Officer
Richard S. Eads	County Clerk
Beverly Smits	Circuit Court Clerk
Mark L. Matthews	Sheriff
Woodford Wayne Turner	Property Valuation Administrator
Dee Gee M. Roe	Coroner

Appointed Personnel:

Mary Allen Hedges	County Treasurer
Tina Ritchie	Occupational Tax Collector
Dana Boone	Finance Officer

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

For The Year Ended June 30, 2017

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

For The Year Ended June 30, 2017

	Budgeted Funds				
	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund	Courthouse E Bond Fund
RECEIPTS					
Taxes	\$ 4,287,157	\$	\$	\$	\$
Excess Fees	1,200,084				
Licenses and Permits	83,791				
Intergovernmental	661,758	1,551,958	181,482	79,300	
Charges for Services	15,330				
Miscellaneous	173,095	11,342	5,043		
Interest	15,025	10,639	3,109	964	
Total Receipts	<u>6,436,240</u>	<u>1,573,939</u>	<u>189,634</u>	<u>80,264</u>	
DISBURSEMENTS					
General Government	2,137,984				
Protection to Persons and Property	1,651,408		68,886	66,404	
General Health and Sanitation	194,272	19,608			
Social Services	244,104				
Recreation and Culture	279,673				
Roads		595,681			
Debt Service	516,271				
Capital Projects		130,754		31,057	
Administration	1,338,752	297,778	29,237		
Total Disbursements	<u>6,362,464</u>	<u>1,043,821</u>	<u>98,123</u>	<u>97,461</u>	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>73,776</u>	<u>530,118</u>	<u>91,511</u>	<u>(17,197)</u>	
Other Adjustments to Cash (Uses)					
Bond Proceeds					
Net Premium (Discount) on Bond Issuance					
Payroll Revolving Account	(25,488)				
Payment To Refunded Bond Escrow Agent					
Transfers From Other Funds					
Transfers To Other Funds					
Total Other Adjustments to Cash (Uses)	<u>(25,488)</u>				
Net Change in Fund Balance	48,288	530,118	91,511	(17,197)	
Fund Balance - Beginning (Restated)	1,681,140	302,522	164,989	89,542	
Fund Balance - Ending	<u>\$ 1,729,428</u>	<u>\$ 832,640</u>	<u>\$ 256,500</u>	<u>\$ 72,345</u>	<u>\$ 0</u>
Composition of Fund Balance					
Bank Balance	\$ 1,471,393	\$ 867,262	\$ 256,500	\$ 72,496	\$
Less: Outstanding Checks	(6,767)	(34,622)		(151)	
Certificates of Deposit	264,802				
Investments					
Fund Balance - Ending	<u>\$ 1,729,428</u>	<u>\$ 832,640</u>	<u>\$ 256,500</u>	<u>\$ 72,345</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, 2017
(Continued)

<u>Budgeted Funds</u>		<u>Unbudgeted Funds</u>		
<u>Jail Construction Fund</u>	<u>Phase I Fund</u>	<u>Public Properties Corporation Courthouse Bonds Fund</u>	<u>Public Properties Corporation Bond Proceeds Fund</u>	<u>Educational Trust Fund Checking</u>
\$	\$	\$	\$	\$
25,180	444,340	108,206		
				4,957
7,009	3,119	1,927		318
<u>32,189</u>	<u>447,459</u>	<u>110,133</u>		<u>5,275</u>
210,611				
				234,988
198,340		110,133		
3,543,884				
164,473	464,781		1,011	
<u>4,117,308</u>	<u>464,781</u>	<u>110,133</u>	<u>1,011</u>	<u>234,988</u>
<u>(4,085,119)</u>	<u>(17,322)</u>		<u>(1,011)</u>	<u>(229,713)</u>
9,035,000				
465,304				
		(1,058,049)		
		1,058,049		283,341
<u>(1,058,049)</u>				
<u>8,442,255</u>				<u>283,341</u>
4,357,136	(17,322)		(1,011)	53,628
	91,913		1,011	566,065
<u>\$ 4,357,136</u>	<u>\$ 74,591</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 619,693</u>
\$ 4,357,136	\$ 91,365 (16,774)	\$	\$	\$ 619,693
<u>\$ 4,357,136</u>	<u>\$ 74,591</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 619,693</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, 2017
(Continued)

	Private Purpose Trust Funds				
	Jason Marston Education Trust Fund	Clifton Gillespie Trust Fund	Willmott Memorial Trust Fund	Robert Meteer Trust Fund	Lucy Anderson Trust Fund
RECEIPTS					
Taxes	\$	\$	\$	\$	\$
Excess Fees					
Licenses and Permits					
Intergovernmental					
Charges for Services					
Miscellaneous	78,418	58,646	489,943	105,739	84,599
Interest	13,779	1,677	316	3,655	47
Total Receipts	<u>92,197</u>	<u>60,323</u>	<u>490,259</u>	<u>109,394</u>	<u>84,646</u>
DISBURSEMENTS					
General Government					
Protection to Persons and Property					
General Health and Sanitation					
Social Services	20,762	26,076	35,972	75,637	6,928
Recreation and Culture					
Roads					
Debt Service					
Capital Projects					
Administration					
Total Disbursements	<u>20,762</u>	<u>26,076</u>	<u>35,972</u>	<u>75,637</u>	<u>6,928</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>71,435</u>	<u>34,247</u>	<u>454,287</u>	<u>33,757</u>	<u>77,718</u>
Other Adjustments to Cash (Uses)					
Bond Proceeds					
Net Premium (Discount) on Bond Issuance					
Payroll Revolving Account					
Payment To Refunded Bond Escrow Agent					
Transfers From Other Funds					
Transfers To Other Funds	(61,233)	(42,872)	(126,000)		(15,179)
Total Other Adjustments to Cash (Uses)	<u>(61,233)</u>	<u>(42,872)</u>	<u>(126,000)</u>		<u>(15,179)</u>
Net Change in Fund Balance	10,202	(8,625)	328,287	33,757	62,539
Fund Balance - Beginning (Restated)	1,311,585	1,786,304	2,351,195	908,668	418,172
Fund Balance - Ending	<u>\$ 1,321,787</u>	<u>\$ 1,777,679</u>	<u>\$ 2,679,482</u>	<u>\$ 942,425</u>	<u>\$ 480,711</u>
Composition of Fund Balance					
Bank Balance	\$ 61,352	\$ 60,168	\$ 60,360	\$ 82,787	\$ 11,338
Less: Outstanding Checks					
Certificates of Deposit					
Investments	<u>1,260,435</u>	<u>1,717,511</u>	<u>2,619,122</u>	<u>859,638</u>	<u>469,373</u>
Fund Balance - Ending	<u>\$ 1,321,787</u>	<u>\$ 1,777,679</u>	<u>\$ 2,679,482</u>	<u>\$ 942,425</u>	<u>\$ 480,711</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, 2017
(Continued)

Private Purpose Trust Funds							
Talbot Clay Trust Fund	Ella Davis Trust Fund	FM Gillespie Trust Fund	Howard Forquer Trust Fund	Education #1 E.M. Costello, Garth, Costello, Hamilton, Champ Trust Fund	Education #2 Kennedy, Hinkle, Redmon, Goff Trust Fund	Health and Welfare Trust Fund	Total Funds
\$	\$	\$	\$	\$	\$	\$	\$ 4,287,157
							1,200,084
							83,791
							3,052,224
							15,330
17,899	3,633	43,045	80,808	1,758	7,006		1,165,931
28	12	43	84	11,464	14	37	73,266
17,927	3,645	43,088	80,892	13,222	7,020	37	9,877,783
							2,137,984
							1,997,309
							213,880
14,784	5,567	10,758	10,974	2,770	2,588	558	692,466
							279,673
							595,681
							824,744
							3,705,695
							2,296,032
14,784	5,567	10,758	10,974	2,770	2,588	558	12,743,464
							3,143
	(1,922)	32,330	69,918	10,452	4,432	(521)	(2,865,681)
							9,035,000
							465,304
							(25,488)
							(1,058,049)
							1,341,390
(770)			(18,691)	(13,695)	(4,901)		(1,341,390)
(770)			(18,691)	(13,695)	(4,901)		8,416,767
2,373	(1,922)	32,330	51,227	(3,243)	(469)	(521)	5,551,086
344,773	86,195	202,018	542,749	220,870	163,781	14,679	11,248,171
\$ 347,146	\$ 84,273	\$ 234,348	\$ 593,976	\$ 217,627	\$ 163,312	\$ 14,158	\$ 16,799,257
							\$ 7,881
	\$ 3,933	\$ 14,924	\$ 11,880	\$ 4,686	\$ 930	\$ 1,021	\$ 8,057,105
							(58,314)
						13,137	277,939
339,265	80,340	219,424	582,096	212,941	162,382		8,522,527
\$ 347,146	\$ 84,273	\$ 234,348	\$ 593,976	\$ 217,627	\$ 163,312	\$ 14,158	\$ 16,799,257

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

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TO THE FINANCIAL STATEMENT**

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BOURBON COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2017

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Basis of Accounting

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

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

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

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

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(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 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.

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 purpose of this fund was tracking expense activity for courthouse renovations.

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

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

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Public Properties Corporation Courthouse Bonds 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 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.

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information (Continued)

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 listed below from the geographic area constituting Bourbon County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of the Bourbon County Fiscal Court.

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

F. Deposits and Investments

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

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

G. Long-term Obligations

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

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

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 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 fiscal court 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, 2017, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

B. Cash and Investments

As of June 30, 2017, the fiscal court had the following investments and maturities:

I. Cash:

	Cost
Cash	\$ 7,998,791
Certificates of Deposit	277,939
Total Cash	<u>\$ 8,276,730</u>

II. Investments:

Type	Cost Basis	Maturities (In Years)			
		Less Than 1	1-5	6-10	More Than 10
Fixed Income Investments:					
Corporate Bonds	\$ 273,447	\$	\$ 273,447	\$	\$
Government Bonds	306,673		227,397		79,276
Totals	<u>\$ 580,120</u>	<u>\$ 0</u>	<u>\$ 500,844</u>	<u>\$ 0</u>	<u>\$ 79,276</u>

III. Other Investments:

	Cost
Common Stock	\$ 756,600
Mutual Funds	7,185,807
Total Other Investments	<u>\$ 7,942,407</u>
Total Investments	<u>\$ 8,522,527</u>

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 2. Deposits and Investments (Continued)

B. Cash and Investments (Continued)

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 \$277,939 of certificates of deposit and \$8,522,527 of investments in securities held by the counterparties' trust departments in the fiscal court's name. The counterparty maintains the \$277,939 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.

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.
- 5) Uncollateralized certificates of deposit issued by any bank or savings and loan institution rated in one of the three highest categories by 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.
 - c) All of the securities in the mutual fund shall be eligible investments pursuant to this section.

The fiscal court is limited to investing no more than 20 percent in categories 5, 6, 7, and 9 above per state statute. The county had no investment policy that would further limit its investment choices. As of June 30, 2017, the fiscal court does not have investments in these categories that exceed the 20 percent limit set by state statute.

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 2. Deposits and Investments (Continued)

B. Cash and Investments (Continued)

The fiscal court's rated investments, as of June 30, 2017, 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	\$	\$ 273,447	\$	\$	\$ 273,447
Government Bonds	306,673				306,673
Common Stock			756,600		756,600
Mutual Funds				7,185,807	7,185,807
Total Investments	\$ 306,673	\$ 273,447	\$ 756,600	\$ 7,185,807	\$ 8,522,527

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 not have 5 percent or more of the fiscal court's investments invested in any single security. All of the investments reported in the fiscal court's private purpose trust funds are Corporate Bonds, Government Bonds, Common Stock, and Mutual Funds.

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

Note 3. Private Purpose Trust Funds

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

The fiscal court has the following private purpose trust funds:

John Marston Education Trust Fund - This fund was established by the will and codicil of John Marston. The will imposed that the funds be held in perpetuity, 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.

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 3. Private Purpose Trust Funds (Continued)

Clifton Gillespie Trust Fund - This fund was established by the will and codicil of Clifton Gillespie. The will imposed that the funds be held in perpetuity, 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 Trust 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.

Lucy Anderson Trust Fund - This fund was established by the will and codicil of Lucy D. Anderson. The will imposed that the funds be held in perpetuity, 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 Trust 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 Trust 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 Trust 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 Trust Fund - This fund was established by the will and codicil of Hallie H. Forquer. The will imposed that the funds be held in perpetuity, 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

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 3. Private Purpose Trust Funds (Continued)

in Bourbon County, Kentucky. The county has a committee, appointed by the county judge/executive, which decides how the money shall be disbursed based on applications received by the county judge/executive's office.

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

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

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

Note 4. Long-term Debt

A. Promissory Term Note Agreement

During fiscal year ended June 30, 1998, the Bourbon County Public Properties Corporation entered into a promissory term note agreement with Community Ventures Corporation for the purchase and renovation of a manufacturing facility. The Public Properties Corporation was obligated to pay \$131,500 in principal payments over seven years, beginning in 1997 and ending in 2004. On November 15, 2004, the Public Properties Corporation refinanced this promissory term note, with an obligation to pay \$98,656 in principal payments over 60 months, beginning December 15, 2004, with a balloon payment scheduled to be made at the end of the note. On February 18, 2010, the Public Properties Corporation refinanced this promissory term note again, with an obligation to pay \$73,157 in principal payments over 60 months at a stated interest rate of 6.25 percent, beginning March 15, 2010, with a balloon payment scheduled to be made at the end of the note. On October 10, 2014, the Public Properties Corporation refinanced this promissory term note again, with an obligation to pay \$40,843, in principal payments over 55 months at a stated interest rate of 6.25 percent, beginning November 15, 2014. As of June 30, 2017, the outstanding principal balance of this note was \$17,248.

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 4. Long-term Debt (Continued)

A. Promissory Term Note Agreement (Continued)

Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2018	\$ 9,624	\$ 794
2019	7,624	160
Totals	<u>\$ 17,248</u>	<u>\$ 954</u>

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

B. 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 percent to 3.75 percent, is payable semi-annually on August 1 and February 1, beginning on February 1, 2007. The debt was paid in full on July 28, 2016.

C. 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 percent to 3.85 percent, is payable semi-annually on August 1 and February 1, beginning August 1, 2007. The debt was paid off in February 2017 with the issuance of General Obligation Refunding and Improvement Bonds, Series 2016.

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

On April 3, 2014, the Kentucky Association of Counties Finance Corporation issued Financing Program Revenue Bonds, Series 2014A, in the amount of \$275,000 for the purpose of acquisition and installation of energy efficiency improvements to the courthouse. Principal payments are due annually on December 20, beginning in 2014, and interest, which varies from 2.48 percent to 3.25 percent, is payable semi-annually on June 20 and December 20, beginning on June 20, 2014. As of June 30, 2017, the outstanding principal balance was \$200,000.

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 4. Long-term Debt (Continued)

D. 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
2018	\$ 25,000	\$ 6,375
2019	25,000	5,563
2020	30,000	4,675
2021	30,000	3,700
2022	30,000	2,725
2023-2024	60,000	2,525
Totals	<u>\$ 200,000</u>	<u>\$ 25,563</u>

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

On April 3, 2014, the Kentucky Association of Counties Finance Corporation issued Financing Program Revenue Bonds, Series 2014A, in the amount of \$120,000 for the purpose of renovating the jail. Principal payments are due annually on December 20, beginning in 2014, and interest, which varies from 1.51 percent to 2.41 percent, is payable semi-annually on June 20 and December 20, beginning on June 20, 2014. As of June 30, 2017, the outstanding principal balance was \$50,000.

Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2018	\$ 25,000	\$ 1,250
2019	25,000	438
Totals	<u>\$ 50,000</u>	<u>\$ 1,688</u>

F. 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 percent, are due biannually on June 20 and December 20, beginning on December 20, 2013. As of June 30, 2017, the outstanding principal balance was \$67,103.

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 4. Long-term Debt (Continued)

F. Bank Fixed Rate Lease (Fire Trucks) (Continued)

Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2018	\$ 67,103	\$ 1,279
Totals	<u>\$ 67,103</u>	<u>\$ 1,279</u>

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

On March 23, 2016, the Bourbon County Fiscal Court issued \$2,055,371 of Refunding Revenue Lease, Series 2016 for the purpose of refinancing the Court Facilities Project, Series 2006 bonds. The bond requires semi-annual interest payments due on August 1 and February 1. The lease will mature on February 1, 2022. As of June 30, 2017, the outstanding principal balance was \$1,803,225.

Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2018	\$ 357,810	\$ 27,950
2019	361,196	22,404
2020	364,255	16,806
2021	366,641	11,160
2022	<u>353,323</u>	<u>5,475</u>
Totals	<u>\$ 1,803,225</u>	<u>\$ 83,795</u>

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

On August 10, 2016, the Bourbon County Fiscal Court issued \$7,300,000 of General Obligation Refunding and Improvement Bonds, Series 2016 for the purpose of expansion of the Regional Jail. The bond requires semi-annual interest payments due on December 1 and June 1. The bond will mature on June 1, 2036. As of June 30, 2017, the outstanding principal balance was \$7,300,000.

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 4. Long-term Debt (Continued)

H. General Obligation Refunding and Improvement Bonds, Series 2016 (Jail Expansion Project)
(Continued)

Future principal and interest requirements are:

Fiscal Year Ended June 30,	Principal	Interest
2018	\$ 135,000	\$ 227,250
2019	355,000	224,550
2020	360,000	217,450
2021	365,000	210,250
2022	375,000	202,950
2023-2027	2,125,000	776,150
2028-2032	1,875,000	428,250
2033-2036	<u>1,710,000</u>	<u>130,050</u>
Totals	<u>\$ 7,300,000</u>	<u>\$ 2,416,900</u>

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

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

Future principal and interest requirements are:

Fiscal Year Ended June 30,	Principal	Interest
2018	\$	\$ 53,800
2019	75,000	53,800
2020	75,000	51,550
2021	80,000	49,300
2022	80,000	46,900
2023-2027	445,000	196,550
2028-2032	510,000	126,069
2033-2036	<u>470,000</u>	<u>34,075</u>
Totals	<u>\$ 1,735,000</u>	<u>\$ 612,044</u>

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 4. Long-term Debt (Continued)

J. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 1,365,000	\$ 9,035,000	\$1,365,000	\$ 9,035,000	\$ 135,000
Revenue Bonds	2,355,371		302,147	2,053,224	407,810
Financing Obligations	159,127		74,776	84,351	76,728
Total Long-term Debt	<u>\$ 3,879,498</u>	<u>\$ 9,035,000</u>	<u>\$ 1,741,923</u>	<u>\$11,172,575</u>	<u>\$ 619,538</u>

Note 5. Commitments and Contingencies

The county is involved in two lawsuits. The first lawsuit arose from the normal course of doing business dealing with land use. The second lawsuit is a wrongful death case concerning the Bourbon County-Nicholas County Regional Jail. Due to the uncertainty of the litigation, a reasonable estimate of the financial impact on the county cannot be made at this time.

Note 6. Employee Retirement System

Plan Description

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 2015 was \$495,182, FY 2016 was \$466,304, and FY 2017 was \$510,839.

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. The county's contribution rate for nonhazardous employees was 18.68 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 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.

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 6. Employee Retirement System (Continued)

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 5 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.

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. The county's contribution rate for hazardous employees was 31.06 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 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 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 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.

Health Insurance Coverage

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%

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 6. Employee Retirement System (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.

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 a proportionate share audit report that includes the total pension liability for CERS determined by actuarial valuation as well as each participating county's proportionate share. The Schedules of Employer Allocations and Pension Amounts by Employer report and the related actuarial tables are available online at <https://kyret.ky.gov/Employers/Resources/Pages/GASB.aspx>. The complete actuarial valuation report, including all actuarial assumptions and methods, is also available on the website or can be obtained as described in the paragraph above.

Note 7. Deferred Compensation

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

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

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 8. Health Reimbursement Account

The Bourbon County Fiscal Court established a health reimbursement account on July 1, 2009, to provide employees an additional health benefit. The county has contracted with 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.

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 9. Insurance

For the fiscal year ended June 30, 2017, the Bourbon County Fiscal Court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 10. Conduit Debt

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

Note 11. Transfers

The table below shows the interfund operating transfers for fiscal year 2017.

	Total <u>Transfers Out</u>	Total <u>Transfers In</u>
Jail Construction Fund	\$ 1,058,049	\$
Public Properties Corporation		
Courthouse Bonds Fund		<u>1,058,049</u>
 Total Transfers	 <u>\$ 1,058,049</u>	 <u>\$ 1,058,049</u>

Reason for transfers:

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

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 12. Private Purpose Trust Funds Transfers

The table below shows the private purpose trust fund interfund transfers for fiscal year 2017.

	Total Transfers Out	Total Transfers In
John Marston Education Trust Fund	\$ 61,233	\$
Clifton Gillespie Trust Fund	42,872	
Willmott Memorial Trust Fund	126,000	
Lucy Anderson Trust Fund	15,179	
Talbott Clay Trust Fund	770	
Howard Forquer Trust Fund	18,691	
Education Trust Fund Checking		283,341
Education #1 E.M. Cotello, Garth, Costello, Hamilton, Champ Trust Fund	13,695	
Education #2 Kennedy, Hinkle, Redmon, Goff Trust Fund	4,901	
	<hr/>	<hr/>
Total Transfers	<u>\$ 283,341</u>	<u>\$ 283,341</u>

Reason for transfers:

To move resources from the investment accounts to the account that will expend them.

Note 13. 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.

Note 14. Subsequent Event

The new Bourbon County Treasurer started subsequent to the end of the 2017 fiscal year. She was appointed by the Bourbon County Treasurer as of December 1, 2017. However, she was not bonded until January 22, 2018.

Note 15. Beginning Balance Restatement

The beginning fund balance of the general fund was restated to add the correct KACo Loan Proceeds account balance. The resulting adjustment totaled \$4,010.

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BOURBON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2017

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BOURBON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2017

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 4,011,250	\$ 4,011,250	\$ 4,287,157	\$ 275,907
Excess Fees	650,104	1,479,654	1,200,084	(279,570)
Licenses and Permits	73,100	73,100	83,791	10,691
Intergovernmental	2,168,908	2,168,908	661,758	(1,507,150)
Charges for Services	14,000	14,000	15,330	1,330
Miscellaneous	133,516	133,516	173,095	39,579
Interest	12,000	12,000	15,025	3,025
Total Receipts	<u>7,062,878</u>	<u>7,892,428</u>	<u>6,436,240</u>	<u>(1,456,188)</u>
DISBURSEMENTS				
General Government	1,877,505	2,688,774	2,137,984	550,790
Protection to Persons and Property	1,980,975	2,242,644	1,651,408	591,236
General Health and Sanitation	1,722,452	1,729,163	194,272	1,534,891
Social Services	259,120	263,694	244,104	19,590
Recreation and Culture	303,000	313,124	279,673	33,451
Debt Service	510,259	516,275	516,271	4
Administration	1,984,567	1,712,753	1,338,752	374,001
Total Disbursements	<u>8,637,878</u>	<u>9,466,427</u>	<u>6,362,464</u>	<u>3,103,963</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,575,000)</u>	<u>(1,573,999)</u>	<u>73,776</u>	<u>1,647,775</u>
Other Adjustments to Cash (Uses)				
Payroll Revolving Account			(25,488)	(25,488)
Total Other Adjustments to Cash (Uses)			<u>(25,488)</u>	<u>(25,488)</u>
Net Change in Fund Balance	(1,575,000)	(1,573,999)	48,288	1,622,287
Fund Balance - Beginning (Restated)	<u>1,575,000</u>	<u>1,575,000</u>	<u>1,681,140</u>	<u>106,140</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 1,001</u>	<u>\$ 1,729,428</u>	<u>\$ 1,728,427</u>

BOURBON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2017
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,501,338	\$ 1,501,338	\$ 1,551,958	\$ 50,620
Miscellaneous	20,000	20,000	11,342	(8,658)
Interest	7,000	7,000	10,639	3,639
Total Receipts	<u>1,528,338</u>	<u>1,528,338</u>	<u>1,573,939</u>	<u>45,601</u>
DISBURSEMENTS				
General Health and Sanitation	40,000	40,000	19,608	20,392
Roads	736,530	739,408	595,681	143,727
Capital Projects	329,614	329,614	130,754	198,860
Administration	557,194	554,316	297,778	256,538
Total Disbursements	<u>1,663,338</u>	<u>1,663,338</u>	<u>1,043,821</u>	<u>619,517</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(135,000)</u>	<u>(135,000)</u>	<u>530,118</u>	<u>665,118</u>
Net Change in Fund Balance	(135,000)	(135,000)	530,118	665,118
Fund Balance - Beginning	<u>135,000</u>	<u>135,000</u>	<u>302,522</u>	<u>167,522</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 832,640</u>	<u>\$ 832,640</u>

BOURBON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2017
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 168,600	\$ 168,600	\$ 181,482	\$ 12,882
Miscellaneous	2,650	2,650	5,043	2,393
Interest	2,000	2,000	3,109	1,109
Total Receipts	<u>173,250</u>	<u>173,250</u>	<u>189,634</u>	<u>16,384</u>
DISBURSEMENTS				
Protection to Persons and Property	159,805	173,741	68,886	104,855
Administration	169,445	155,509	29,237	126,272
Total Disbursements	<u>329,250</u>	<u>329,250</u>	<u>98,123</u>	<u>231,127</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(156,000)</u>	<u>(156,000)</u>	<u>91,511</u>	<u>247,511</u>
Net Change in Fund Balance	(156,000)	(156,000)	91,511	247,511
Fund Balance - Beginning	<u>156,000</u>	<u>156,000</u>	<u>164,989</u>	<u>8,989</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 256,500</u>	<u>\$ 256,500</u>

BOURBON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2017
(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	\$ 79,300	\$ 4,300
Interest	700	700	964	264
Total Receipts	<u>75,700</u>	<u>75,700</u>	<u>80,264</u>	<u>4,564</u>
DISBURSEMENTS				
Protection to Persons and Property	107,500	109,011	66,404	42,607
Capital Projects	54,200	52,689	31,057	21,632
Total Disbursements	<u>161,700</u>	<u>161,700</u>	<u>97,461</u>	<u>64,239</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(86,000)</u>	<u>(86,000)</u>	<u>(17,197)</u>	<u>68,803</u>
Net Change in Fund Balance	(86,000)	(86,000)	(17,197)	68,803
Fund Balance - Beginning	<u>86,000</u>	<u>86,000</u>	<u>89,542</u>	<u>3,542</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 72,345</u>	<u>\$ 72,345</u>

BOURBON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2017
(Continued)

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

BOURBON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2017
(Continued)

JAIL CONSTRUCTION FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$	\$	\$ 25,180	\$ 25,180
Interest		1,928	7,009	5,081
Total Receipts		1,928	32,189	30,261
DISBURSEMENTS				
Protection to Persons and Property		671,570	210,611	460,959
Debt Service		1,059,976	198,340	861,636
Capital Projects		7,606,212	3,543,884	4,062,328
Administration			164,473	(164,473)
Total Disbursements		9,337,758	4,117,308	5,220,450
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(9,335,830)	(4,085,119)	5,250,711
Other Adjustments to Cash (Uses)				
Bond Proceeds		9,335,830	9,035,000	(300,830)
Net Premium (Discount) on Bond Issuance			465,304	465,304
Transfers To Other Funds			(1,058,049)	(1,058,049)
Total Other Adjustments to Cash (Uses)		9,335,830	8,442,255	(893,575)
Net Change in Fund Balance			4,357,136	4,357,136
Fund Balance Beginning				
Fund Balance - Ending	\$	0	\$ 4,357,136	\$ 4,357,136

BOURBON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2017
(Continued)

	PHASE I FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 391,841	\$ 444,341	\$ 444,340	\$ (1)
Interest	2,600	2,600	3,119	519
Total Receipts	<u>394,441</u>	<u>446,941</u>	<u>447,459</u>	<u>518</u>
DISBURSEMENTS				
Administration	485,796	538,296	464,781	73,515
Total Disbursements	<u>485,796</u>	<u>538,296</u>	<u>464,781</u>	<u>73,515</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(91,355)</u>	<u>(91,355)</u>	<u>(17,322)</u>	<u>74,033</u>
Net Change in Fund Balance	(91,355)	(91,355)	(17,322)	74,033
Fund Balance - Beginning	<u>91,355</u>	<u>91,355</u>	<u>91,913</u>	<u>558</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 74,591</u>	<u>\$ 74,591</u>

BOURBON COUNTY
NOTE TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2017

Note 1. Budgetary Information

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

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

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

Note 2. Excess of Disbursements Over Appropriations

Jail construction fund administration disbursements exceed budgeted appropriations by \$164,473.

BOURBON COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2017

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BOURBON COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2017

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance (*Restated)	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 856,877	\$	\$	\$ 856,877
Construction In Progress	227,698	3,762,962		3,990,660
Buildings and Building Improvements	12,351,436			12,351,436
Equipment and Vehicles	1,848,215	115,839	133,773	1,830,281
Other Equipment	1,887,589	56,358		1,943,947
Infrastructure*	8,890,543	161,811		9,052,354
 Total Capital Assets	 \$ 26,062,358	 \$ 4,096,970	 \$ 133,773	 \$ 30,025,555

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

June 30, 2017

Note 1. Capital Assets

Capital assets, which include land and land improvements, buildings and building improvements, equipment, vehicles, 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

Note 2. Restatement of Beginning Balance

The beginning balance for infrastructure was restated by \$124,646 to add a prior year addition that was not included.

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

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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, 2017, 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 May 18, 2018.

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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2017-001 to be a material weakness.

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

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Bourbon County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2017-001, 2017-002, and 2017-003.

Views of Responsible Official and Planned Corrective Actions

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

Purpose of this Report

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

Respectfully submitted,

Tichenor & Associates, LLP

Tichenor & Associates, LLP
Certified Public Accountants
Louisville, Kentucky

May 18, 2018

**BOURBON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2017

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**BOURBON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2017

FINANCIAL STATEMENT FINDINGS:

2017-001 The Bourbon County Fiscal Court Did Not Record All Activity Related To The Jail Construction Fund

For fiscal year 2017, the county added the jail construction fund to record activity related to the jail expansion. The county budgeted \$9,337,758 for receipt of bond proceeds and disbursements but there was additional activity that was not recorded. This resulted in a material adjustment to the financial statement of \$3,501,458 to receipts and (\$855,678) to disbursements. KRS 68.280 states, “[t]he fiscal court may make provision for the expenditure of receipts unanticipated in the original budget by preparing an amendment to the budget, showing the source and amount of the unanticipated receipts and specifying the budget funds that are to be increased thereby. The amendment shall be submitted to the state local finance officer subject to the same provisions as the original budget.” This issue was caused by the county not properly budgeting the jail construction fund. Not having a proper budget can cause the county to overspend the budget. We recommend the Bourbon County Fiscal Court ensure that all activity in the jail construction fund be properly budgeted.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive’s Response: Review of bond bank statements will be booked in our financial statements moving forward.

2017-002 The Bourbon County Fiscal Court Overspent Its Budget In The Administration Expense Category In The Jail Construction Fund

During our audit, we noted that after making audit adjustments to include all activity that occurred in the jail construction fund, the administration expense line item overspent its budget. The county budgeted zero but spent \$164,473. This was due to the county not budgeting for the administration expense category. Not having a properly balanced budget can cause the county to overspend the budget. KRS 68.300 states, “[a]ny appropriation made or claim allowed by the fiscal court in excess of any budget fund, and any warrant or contract not within the budget appropriation, shall be void. No member of the fiscal court shall vote for any such illegal appropriation or claim. The county treasurer shall be liable on his official bond for the amount of any county warrant willfully or negligently signed or countersigned by him in excess of the budget fund out of which the warrant is payable.” We recommend that Bourbon County Fiscal Court monitor and prepare a budget amendment in any future instance of possible budget overage.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive’s Response: We will monitor appropriations closely and make budget amendments when necessary.

2017-003 The Bourbon County Fiscal Court Is Not Following Its Personnel Vacation Policy

County employees can accumulate personal leave throughout the year. The county currently has a policy stating that for vacation time, only a maximum of 10 days will be allowed to be accumulated. During our review, we noted that four out of five employees reviewed had accrued vacation time exceeding the county’s policy of 10 days. The Bourbon County Fiscal Court is not following their policy. The Bourbon County Fiscal Court is not in compliance with their personnel policy. By not following the policy, the county could be liable to pay each employee’s accumulated vacation time. The Bourbon County Fiscal Court has a personnel policy stating that for vacation time, only a maximum of 10 days will be allow to be accumulated.

**BOURBON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2017
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2017-003 The Bourbon County Fiscal Court Is Not Following Its Personnel Vacation Policy (Continued)

We recommend the Bourbon County Fiscal Court follow its personnel vacation policy. In addition, the Bourbon County Fiscal Court should consider updating their policy.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The Bourbon County Fiscal Court is in the process of updating the current Policy & Procedure Manual. The manual will be ready to put into place by beginning of new fiscal year July 1, 2018 and we will adhere to this new policy.

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

BOURBON COUNTY FISCAL COURT

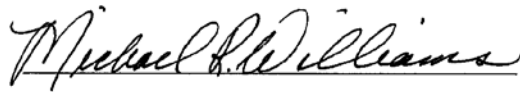
**For The Fiscal Year Ended
June 30, 2017**

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

For The Fiscal Year Ended June 30, 2017

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

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

County Judge/Executive

A handwritten signature in cursive script, reading "Dana H. Boone", written over a horizontal line.

County Treasurer