

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

**For The Year Ended
June 30, 2018**



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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 Stephanie Bogucki, Robertson County Judge/Executive
Members of the Robertson 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 Robertson County Fiscal Court, for the year ended June 30, 2018, and the related notes to the financial statement which collectively comprise the Robertson County Fiscal Court's financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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



To the People of Kentucky

The Honorable Matthew G. Bevin, Governor

William M. Landrum III, Secretary

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Members of the Robertson County Fiscal Court

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

As described in Note 1 of the financial statement, the financial statement is prepared by the Robertson 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 Robertson County Fiscal Court as of June 30, 2018, 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 Robertson County Fiscal Court as of June 30, 2018, 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 Robertson 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

The Honorable Matthew G. Bevin, Governor

William M. Landrum III, Secretary

Finance and Administration Cabinet

The Honorable Stephanie Bogucki, Robertson County Judge/Executive

Members of the Robertson County Fiscal Court

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2019, on our consideration of the Robertson 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 Robertson 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 discuss the following report findings:

2018-001 The General Fund Owes The Road Fund \$63,150 From Prior Years

2018-002 The Fiscal Court Did Not Comply With Bidding Requirements And Did Not Have Policies And Procedures In Place For Purchases Exceeding \$20,000

Respectfully submitted,

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

Mike Harmon
Auditor of Public Accounts

March 21, 2019

ROBERTSON COUNTY OFFICIALS**For The Year Ended June 30, 2018****Fiscal Court Members:**

Stephanie A. Bogucki	County Judge/Executive
Terry L. Norris	Magistrate
Terry Cracraft	Magistrate
Larry Jones	Magistrate
Troy Martin	Magistrate
Donnie Moore	Magistrate

Other Elected Officials:

Jesse Melcher	County Attorney
Tim Wright	Jailer
Joanie Jolly	County Clerk
Tabitha Tilton	Circuit Court Clerk
Mark Sutton	Sheriff
Annette Lovins	Property Valuation Administrator
John Thompson	Coroner

Appointed Personnel:

James Myron Thomas	County Treasurer
Jenny Fooks	Finance Officer
William Mitchell	Road Supervisor

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

For The Year Ended June 30, 2018

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

For The Year Ended June 30, 2018

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 411,391	\$	\$
Intergovernmental	271,822	652,415	76,210
Charges for Services	30		755
Miscellaneous	71,743	1,515	890
Interest	5,562	124	
Total Receipts	<u>760,548</u>	<u>654,054</u>	<u>77,855</u>
DISBURSEMENTS			
General Government	567,750		
Protection to Persons and Property	137,633		53,881
General Health and Sanitation	11,197		
Social Services	750		
Recreation and Culture	13,714		
Roads		458,426	
Debt Service			
Capital Projects	669		
Administration	234,412	78,985	14,148
Total Disbursements	<u>966,125</u>	<u>537,411</u>	<u>68,029</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(205,577)</u>	<u>116,643</u>	<u>9,826</u>
Other Adjustments to Cash (Uses)			
Bond Proceeds			
Premium on Bonds			
Payment to Refunded Bond Escrow			
Transfers From Other Funds	143,222		
Transfers To Other Funds		(143,222)	
Total Other Adjustments to Cash (Uses)	<u>143,222</u>	<u>(143,222)</u>	
Net Change in Fund Balance	(62,355)	(26,579)	9,826
Fund Balance - Beginning	182,230	1,067,585	9,461
Fund Balance - Ending	<u>\$ 119,875</u>	<u>\$ 1,041,006</u>	<u>\$ 19,287</u>
Composition of Fund Balance			
Bank Balance	\$ 27,807	\$ 606,619	\$ 22,178
Less: Outstanding Checks	(7,932)	(15,613)	(2,891)
Certificates of Deposit	100,000	450,000	
Fund Balance - Ending	<u>\$ 119,875</u>	<u>\$ 1,041,006</u>	<u>\$ 19,287</u>
	*	*	

* See Note 11

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

ROBERTSON COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2018
(Continued)

	Unbudgeted Fund	Private Purpose Trust Fund	
	Public Properties Corporation Fund	McDowell Old Folks Trust Fund	Total Funds
RECEIPTS			
Taxes	\$	\$	\$ 411,391
Intergovernmental	212,889		1,213,336
Charges for Services			785
Miscellaneous			74,148
Interest	554		6,240
Total Receipts	<u>213,443</u>		<u>1,705,900</u>
DISBURSEMENTS			
General Government			567,750
Protection to Persons and Property			191,514
General Health and Sanitation			11,197
Social Services			750
Recreation and Culture			13,714
Roads			458,426
Debt Service	210,689		210,689
Capital Projects			669
Administration	35,584		363,129
Total Disbursements	<u>246,273</u>		<u>1,817,838</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(32,830)</u>		<u>(111,938)</u>
Other Adjustments to Cash (Uses)			
Bond Proceeds	2,315,000		2,315,000
Premium on Bonds	36,058		36,058
Payment to refunded bond escrow	(2,317,794)		(2,317,794)
Transfers From Other Funds			143,222
Transfers To Other Funds			(143,222)
Total Other Adjustments to Cash (Uses)	<u>33,264</u>		<u>33,264</u>
Net Change in Fund Balance	434		(78,674)
Fund Balance - Beginning		895	1,260,171
Fund Balance - Ending	<u>\$ 434</u>	<u>\$ 895</u>	<u>\$ 1,181,497</u>
Composition of Fund Balance			
Bank Balance	\$ 434	\$ 895	\$ 657,933
Less: Outstanding Checks			(26,436)
Certificates of Deposit			550,000
Fund Balance - Ending	<u>\$ 434</u>	<u>\$ 895</u>	<u>\$ 1,181,497</u>

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

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TO THE FINANCIAL STATEMENT**

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ROBERTSON COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2018

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Basis of Accounting

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

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

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

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

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal governments, payments from other counties for housing prisoners, and transfers from the general fund. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

ROBERTSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Unbudgeted Fund

The fiscal court reports the following unbudgeted fund:

Public Properties Corporation Fund - The primary purpose of this fund is to account for the proceeds and debt service of revenue bonds that were issued to fund the construction of the judicial center.

Private Purpose Trust Fund

The fiscal court reports the following private purpose trust fund:

McDowell Old Folks Trust Fund – This private-purpose trust fund was established to benefit the senior citizens in Robertson County.

D. Budgetary Information

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

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

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

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

E. Robertson County Elected Officials

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

ROBERTSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Robertson County Elected Officials (Continued)

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

F. Deposits and Investments

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

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

G. Long-term Obligations

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

Note 2. Deposits

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of June 30, 2018, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

ROBERTSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2018.

	Road Fund	Total Transfers In
General Fund	\$ 143,222	\$ 143,222
Total Transfers Out	<u>\$ 143,222</u>	<u>\$ 143,222</u>

Reason for transfers:

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

Note 4. Private Purpose Trust Fund

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 fund:

McDowell Old Folks Trust Fund – This fund was established to benefit the senior citizens in Robertson County. The balance in the McDowell Old Folks Trust Fund as of June 30, 2018 was \$895.

Note 5. Long-term Debt

A. First Mortgage Revenue Bonds, Series 2008

On April 1, 2008, the Robertson County Kentucky Public Properties Corporation issued \$3,305,000 First Mortgage Revenue Bonds, Series 2008. The bonds were issued for the purpose of providing permanent financing for the construction of the Robertson County Justice Center. Interest on the bonds is payable semi-annually on March 1 and September 1, beginning September 1, 2008. Principal payments are payable annually beginning March 1, 2009. The Robertson County Fiscal Court entered into a lease agreement with the Administrative Office of the Courts in order to provide funding to meet annual debt service requirements. On March 1, 2018, these bonds were fully refunded with the First Mortgage Revenue Refunding Bonds, Series 2018.

B. First Mortgage Revenue Refunding Bonds, Series 2018

On March 1, 2018, the Robertson County Kentucky Public Properties Corporation issued \$2,315,000 First Mortgage Revenue Refunding Bonds, Series 2018, with interest rates ranging from 3 percent to 4 percent. The proceeds were used to fully refund the outstanding Series 2008 bonds and to pay for the Series 2018 costs of issuance. The 2008 bonds, with interest rates ranging from 3.70 percent to 4 percent, were called for redemption on March 12, 2018. The refunding was undertaken to provide interest cost savings of \$12,168 and \$109,513 to the county and the Administrative Office of the Courts, respectively. The refunding resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of the \$112,027, a present value savings of 4.84 percent. As of June 30, 2018, bonds outstanding were \$2,315,000. Future principal and interest requirements are as follows:

ROBERTSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 5. Long-term Debt (Continued)

B. First Mortgage Revenue Refunding Bonds, Series 2018 (Continued)

Fiscal Year Ending June 30	Principal	Scheduled Interest
2019	\$ 45,000	\$ 82,381
2020	125,000	80,581
2021	130,000	75,581
2022	135,000	70,381
2023	140,000	64,981
2024-2028	795,000	236,508
2025-2033	945,000	91,037
Totals	<u>\$ 2,315,000</u>	<u>\$ 701,450</u>

C. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	\$ 2,430,000	\$	\$2,430,000	\$	\$
Revenue Refunding Bonds		2,315,000		2,315,000	45,000
Total Long-term Debt	<u>\$ 2,430,000</u>	<u>\$ 2,315,000</u>	<u>\$ 2,430,000</u>	<u>\$ 2,315,000</u>	<u>\$ 45,000</u>

Note 6. Employee Retirement System

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

The county's contribution for FY 2016 was \$72,081, FY 2017 was \$86,661, and FY 2018 was \$90,996.

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.

ROBERTSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 6. Employee Retirement System (Continued)

Nonhazardous (Continued)

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own accounts. Nonhazardous covered employees contribute 5 percent of their annual creditable compensation. Nonhazardous members also contribute 1 percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the KRS Board of Directors based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4 percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

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

The county's contribution rate for nonhazardous employees was 19.18 percent.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage – Tier 1

CERS provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

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

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

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

ROBERTSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 6. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

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

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

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

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

C. Cost of Living Adjustments - Tier 1

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

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

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

E. Death Benefit

If a retired member is receiving a monthly benefit based on at least 48 months of service credit, KRS will pay a \$5,000 death benefit payment to the beneficiary designated by the member specifically for this benefit. Members with multiple accounts are entitled to only one death benefit.

KRS Annual Financial Report and Proportionate Share Audit Report

KRS issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

ROBERTSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 6. Employee Retirement System (Continued)

KRS Annual Financial Report and Proportionate Share Audit Report (Continued)

KRS also issues proportionate share audit reports for both total pension liability and other post-employment benefits for CERS determined by actuarial valuation as well as each participating county's proportionate share. Both the Schedules of Employer Allocations and Pension Amounts by Employer and the Schedules of Employer Allocations and OPEB Amounts by Employer reports and the related actuarial tables are available online at <https://kyret.ky.gov>. The complete actuarial valuation report, including all actuarial assumptions and methods, is also available on the website or can be obtained as described in the paragraph above.

Note 7. Deferred Compensation

The Robertson 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

Robertson County employees who meet the eligibility requirements of the personnel policy as determined by the Robertson County Fiscal Court may participate in a health reimbursement program. For the fiscal year ended June 30, 2018, the fiscal court contributed up to \$450 each month to participating full-time employees. The fiscal court no longer maintains a separate health reimbursement account but instead utilizes the revolving payroll fund to process the monthly health reimbursements.

Note 9. Insurance

For the fiscal year ended June 30, 2018, the Robertson 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.

ROBERTSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 10. Related Party Transactions

A magistrate is the owner of an auto parts store located in Mount Olivet, Kentucky. The fiscal court spent \$5,132 on purchases from the store during fiscal year ending June 30, 2018.

Note 11. Interfund Receivable and Payable

The table below reflects fund balances after accounting for the receivable and payable between the road fund and general fund that is not included on the financial statement prepared in accordance with the regulatory basis of accounting:

	<u>General Fund</u>	<u>Road Fund</u>
Fund Balance - Ending	\$ 119,875	\$ 1,041,006
Interfund Receivable (Payable)	<u>(63,150)</u>	<u>63,150</u>
Fund Balances - Ending	<u>\$ 56,725</u>	<u>\$ 1,104,156</u>

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

For The Year Ended June 30, 2018

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ROBERTSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2018

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 411,500	\$ 411,500	\$ 411,391	\$ (109)
Intergovernmental	271,820	271,820	271,822	2
Charges for Services	300	300	30	(270)
Miscellaneous	67,750	67,750	71,743	3,993
Interest	5,000	5,000	5,562	562
Total Receipts	<u>756,370</u>	<u>756,370</u>	<u>760,548</u>	<u>4,178</u>
DISBURSEMENTS				
General Government	580,992	601,839	567,750	34,089
Protection to Persons and Property	164,145	165,320	137,633	27,687
General Health and Sanitation	11,000	12,010	11,197	813
Social Services	3,000	3,000	750	2,250
Recreation and Culture	12,000	13,800	13,714	86
Capital Projects	3,000	3,000	669	2,331
Administration	300,455	275,623	234,412	41,211
Total Disbursements	<u>1,074,592</u>	<u>1,074,592</u>	<u>966,125</u>	<u>108,467</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(318,222)</u>	<u>(318,222)</u>	<u>(205,577)</u>	<u>112,645</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	143,222	143,222	143,222	
Transfers To Other Funds	(25,000)	(25,000)		25,000
Total Other Adjustments to Cash (Uses)	<u>118,222</u>	<u>118,222</u>	<u>143,222</u>	<u>25,000</u>
Net Change in Fund Balance	(200,000)	(200,000)	(62,355)	137,645
Fund Balance - Beginning	200,000	200,000	182,230	(17,770)
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 119,875</u>	<u>\$ 119,875</u>

ROBERTSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 912,097	\$ 912,097	\$ 652,415	\$ (259,682)
Miscellaneous	6,500	6,500	1,515	(4,985)
Interest	500	500	124	(376)
Total Receipts	<u>919,097</u>	<u>919,097</u>	<u>654,054</u>	<u>(265,043)</u>
DISBURSEMENTS				
Roads	1,295,900	1,313,400	458,426	854,974
Administration	454,975	437,475	78,985	358,490
Total Disbursements	<u>1,750,875</u>	<u>1,750,875</u>	<u>537,411</u>	<u>1,213,464</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(831,778)</u>	<u>(831,778)</u>	<u>116,643</u>	<u>948,421</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(143,222)</u>	<u>(143,222)</u>	<u>(143,222)</u>	
Total Other Adjustments to Cash (Uses)	<u>(143,222)</u>	<u>(143,222)</u>	<u>(143,222)</u>	
Net Change in Fund Balance	(975,000)	(975,000)	(26,579)	948,421
Fund Balance - Beginning	<u>975,000</u>	<u>975,000</u>	<u>1,067,585</u>	<u>92,585</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,041,006</u>	<u>\$ 1,041,006</u>

ROBERTSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 76,350	\$ 76,350	\$ 76,210	\$ (140)
Charges for Services	500	500	755	255
Miscellaneous	3,300	3,300	890	(2,410)
Total Receipts	<u>80,150</u>	<u>80,150</u>	<u>77,855</u>	<u>(2,295)</u>
DISBURSEMENTS				
Protection to Persons and Property	88,712	89,727	53,881	35,846
Administration	21,438	20,423	14,148	6,275
Total Disbursements	<u>110,150</u>	<u>110,150</u>	<u>68,029</u>	<u>42,121</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(30,000)</u>	<u>(30,000)</u>	<u>9,826</u>	<u>39,826</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>25,000</u>	<u>25,000</u>		<u>(25,000)</u>
Total Other Adjustments to Cash (Uses)	<u>25,000</u>	<u>25,000</u>		<u>(25,000)</u>
Net Change in Fund Balance	(5,000)	(5,000)	9,826	14,826
Fund Balance - Beginning	<u>5,000</u>	<u>5,000</u>	<u>9,461</u>	<u>4,461</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 19,287</u>	<u>\$ 19,287</u>

ROBERTSON COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2018

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.

**ROBERTSON COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis**

For The Year Ended June 30, 2018

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ROBERTSON COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2018

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Land and Land Improvements	\$ 120,000	\$	\$	\$ 120,000
Buildings	5,693,538			5,693,538
Vehicles	400,415			400,415
Machinery and Equipment	604,608	74,855	30,000	649,463
Infrastructure	3,663,254	97,252		3,760,506
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Capital Assets	<u>\$ 10,481,815</u>	<u>\$ 172,107</u>	<u>\$ 30,000</u>	<u>\$10,623,922</u>

**ROBERTSON COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - SCHEDULE OF CAPITAL ASSETS**

June 30, 2018

Note 1. Capital Assets

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

	<u>Capitalization Threshold</u>	<u>Useful Life (Years)</u>
Land and Land Improvements	\$ 12,500	10-60
Buildings	\$ 25,000	10-60
Vehicles	\$ 2,500	3-10
Machinery and Equipment	\$ 2,500	5
Infrastructure	\$ 20,000	10-50

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Stephanie Bogucki, Robertson County Judge/Executive
Members of the Robertson 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 Robertson County Fiscal Court for the fiscal year ended June 30, 2018, and the related notes to the financial statement which collectively comprise the Robertson County Fiscal Court's financial statement and have issued our report thereon dated March 21, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Robertson County Fiscal Court's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Robertson County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Robertson County Fiscal Court's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2018-002 to be a material weakness.



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

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Robertson 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 2018-001 and 2018-002.

Views of Responsible Official and Planned Corrective Action

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

Purpose of this Report

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

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

March 21, 2019

**ROBERTSON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2018

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**ROBERTSON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2018

FINANCIAL STATEMENT FINDINGS:

2018-001 The General Fund Owes The Road Fund \$63,150 From Prior Years

This is a repeat finding and included in the prior year audit report as finding 2017-001. In fiscal year 2009, the road fund transferred \$96,500 to the general fund in excess of the approved amount. This created a receivable and payable between the funds, since the road fund is a restricted fund. The fiscal court has made periodic payments from the general fund to the road fund to reduce the liability to \$63,150 as of June 30, 2018.

In 2009, the general fund needed \$96,500 to be transferred from the road fund for general operations of the county. As a result, the fiscal court was in violation of KRS 177.320.

KRS 177.320 requires road funds to be used for the “construction, reconstruction and maintenance of secondary and rural roads and for no other purpose[.]” The road fund is restricted for transportation, with the exception of the approved amount calculated on the road fund cost allocation worksheet.

Under the regulatory basis of accounting, fund balances are not adjusted on the financial statement for the unpaid liability; however, the liability is still owed. The general fund and road fund balances have been adjusted in Note 11 of the Notes to the Financial Statement.

We recommend the general fund liability be paid as money becomes available.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive’s Response: General Fund Owes the Road Fund \$63,150. The Fiscal Court will continue to make annual payments to reduce the debt. This debt was incurred before my administration.

**ROBERTSON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2018
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2018-002 The Fiscal Court Did Not Comply With Bidding Requirements And Did Not Have Policies And Procedures In Place For Purchases Exceeding \$20,000

During fiscal year ending June 30, 2018, the fiscal court spent \$97,252 for paving roads and \$42,585 for gravel without advertising for bids. According to the county judge/executive, these purchases were made in accordance with the amount approved by the Buffalo Trace Area Development District. However, there was no documentation maintained by the county of these amounts and nothing approved in the minutes of the fiscal court to accept these amounts. Without competitive bidding, the county may not be getting the best price for materials and services. The county's administrative code does not address policies and procedures related to bidding for goods and services.

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

Having standard policies and procedures over key processes is an important internal control to ensure compliance with various laws and regulations. The county's administrative code is used to communicate administrative policies and procedures to employees, but it did not address the requirement to advertise for bids, procedures in place to award bids, maintain bid documentation, or other procurement policies.

We recommend the fiscal court comply with KRS 424.260 by advertising for bids for purchases exceeding \$20,000. Additionally, we recommend in the future purchases that are exempt from the advertisement and bidding process be properly documented in the fiscal court's bid files and the official minutes recorded in the county clerk's office. Also, we recommend the county update their administrative code to include policies and procedures for purchases exceeding \$20,000.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The Fiscal Court will adopt the Ky Model Procurement Code. Section 8.2