

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

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

Roy W Hunter, CPA, PLLC
1890 Star Shoot Parkway
Suite 170-147
Lexington, KY 40509

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APPENDIX A:

CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT
PROGRAM



Roy W. Hunter, CPA, PLLC

To the People of Kentucky
Honorable Matthew G. Bevin, Governor
William M. Landrum III, Secretary
Finance and Administration Cabinet
Honorable David K. West, Jessamine County Judge/Executive
Members of the Jessamine 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 Jessamine County Fiscal Court, for the year ended June 30, 2018, and the related notes to the financial statement which collectively comprise the Jessamine 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.

1890 Star Shoot Parkway
Suite 170-147
Lexington, KY 40509

859-806-5342
Roy.Hunter@CPA.com

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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 Jessamine 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 Jessamine 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 Jessamine 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 Jessamine County Fiscal Court. The Budgetary Comparison Schedules, Capital Asset Schedule, and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 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, Capital Asset Schedule, and Schedule of Expenditures of Federal Awards 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, Capital Asset Schedule, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the financial statement as a whole.

To the People of Kentucky
Honorable Matthew G. Bevin, Governor
William M. Landrum III, Secretary
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Honorable David K. West, Jessamine County Judge/Executive
Members of the Jessamine County Fiscal Court

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2019, on our consideration of the Jessamine 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 Jessamine 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 Questioned Costs included herein, which discusses the following report finding:

2018-001 The Jessamine County Jailer Lacks Internal Controls Over Receipts

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Roy W. Hunter", with a stylized flourish at the end.

Roy W. Hunter, CPA, PLLC
Lexington, Kentucky

January 31, 2019

JESSAMINE COUNTY OFFICIALS

For The Year Ended June 30, 2018

Fiscal Court Members:

David K. West	County Judge/Executive
Terry Meckstroth	Magistrate
Gary Morgan	Magistrate
April Rose Prather	Magistrate
Justin Ray	Magistrate
Tim Vaughan	Magistrate
Paul Floyd	Magistrate

Other Elected Officials:

Brian Goettl	County Attorney
Jon Sallee	Jailer
Johnny Collier	County Clerk
Doug Fain	Circuit Court Clerk
Kevin Corman	Sheriff
Brad Freeman	Property Valuation Administrator
Michael Hughes	Coroner

Appointed Personnel:

Tami East	County Treasurer
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JESSAMINE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2018

JESSAMINE 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	\$ 11,566,530	\$	\$
Excess Fees	912,794		
Licenses and Permits	266,725		
Intergovernmental	3,955,681	1,224,905	845,857
Charges for Services	480,798		112,052
Miscellaneous	1,262,318	1,550	74,628
Interest	30,333	10,680	532
Total Receipts	<u>18,475,179</u>	<u>1,237,135</u>	<u>1,033,069</u>
DISBURSEMENTS			
General Government	7,016,646		
Protection to Persons and Property	331,366		2,398,873
General Health and Sanitation	1,408,569		
Social Services	172,865		
Recreation and Culture	728,934		
Roads		1,015,496	
Other Transportation Facilities and Services	154,206		
Debt Service	246,315		
Capital Projects	367,449	171,182	
Administration	5,163,726	84,758	336,845
Total Disbursements	<u>15,590,076</u>	<u>1,271,436</u>	<u>2,735,718</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>2,885,103</u>	<u>(34,301)</u>	<u>(1,702,649)</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds	1,050,000	1,050,000	1,715,000
Transfers To Other Funds	(4,430,000)	(1,050,000)	
Total Other Adjustments to Cash (Uses)	<u>(3,380,000)</u>	<u></u>	<u>1,715,000</u>
Net Change in Fund Balance	(494,897)	(34,301)	12,351
Fund Balance - Beginning (Restated)	4,436,827	795,656	38,992
Fund Balance - Ending	<u>\$ 3,941,930</u>	<u>\$ 761,355</u>	<u>\$ 51,343</u>
Composition of Fund Balance			
Bank Balance	\$ 1,172,614	\$ 762,857	\$ 119,874
Plus: Deposits In Transit			
Less: Outstanding Checks	(144,160)	(1,502)	(68,531)
Certificates of Deposit	<u>2,913,476</u>	<u></u>	<u></u>
Fund Balance - Ending	<u>\$ 3,941,930</u>	<u>\$ 761,355</u>	<u>\$ 51,343</u>

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

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

<u>Budgeted Funds</u>		<u>Unbudgeted Funds</u>	<u>Internal Service Fund</u>	
<u>Local Government</u>	<u>Emergency</u>	<u>Jail</u>	<u>Total</u>	<u>Health</u>
<u>Economic Assistance Fund</u>	<u>Services Fund</u>	<u>Commissary Fund</u>	<u>Funds</u>	<u>Insurance Fund</u>
\$	\$ 356,833	\$	\$ 11,923,363	\$
			912,794	
			266,725	
164,892	299,657		6,490,992	
	1,986,277		2,579,127	
8,476	1,007	168,442	1,516,421	2,971,558
2,726	965		45,236	
176,094	2,644,739	168,442	23,734,658	2,971,558
179,689			7,196,335	2,528,264
	3,334,171		6,064,410	
			1,408,569	
			172,865	
22,739		139,122	890,795	
			1,015,496	
			154,206	
			246,315	
			538,631	
	864,220		6,449,549	443,294
202,428	4,198,391	139,122	24,137,171	2,971,558
(26,334)	(1,553,652)	29,320	(402,513)	
	1,665,000		5,480,000	
			(5,480,000)	
	1,665,000			
(26,334)	111,348	29,320	(402,513)	
201,577	100,009	82,414	5,655,475	
\$ 175,243	\$ 211,357	\$ 111,734	\$ 5,252,962	\$ 0
\$ 175,243	\$ 225,913	\$ 104,004	\$ 2,560,505	\$ 79,228
		8,764	8,764	
	(14,556)	(1,034)	(229,783)	(79,228)
			2,913,476	
\$ 175,243	\$ 211,357	\$ 111,734	\$ 5,252,962	\$ 0

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

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TO THE FINANCIAL STATEMENT**

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JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2018

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(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.

Emergency Services Fund - The primary purpose of this fund is to account for receipts for the county's ambulance runs and funds received from the state for emergency services.

Unbudgeted Fund

The fiscal court reports the following unbudgeted fund:

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135. The profits generated from the sale of items are to be used for the benefit and to enhance the well-being of the inmates, or to enhance safety and security within the jail. The jailer is required to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail commissary fund.

Internal Service Fund

Health Insurance Fund - This fund is used to account for the self-funded health insurance activity of the Jessamine County Fiscal Court.

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 jail commissary fund to be budgeted because the fiscal court does not approve the expenses of this fund.

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

Note 1. Summary of Significant Accounting Policies (Continued)

E. Jessamine County Elected Officials

Kentucky law provides for election of the officials listed below from the geographic area constituting Jessamine 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 Jessamine 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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

H. Tax Abatements

GASB Statement No. 77 - Tax Abatement Disclosures is effective for reporting periods beginning after December 15, 2015. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public presently. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition.

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.

Note 3. Transfers

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

	General Fund	Road Fund	Total Transfers In
General Fund	\$	\$ 1,050,000	\$ 1,050,000
Road Fund	1,050,000		1,050,000
Jail Fund	1,715,000		1,715,000
Emergency Services Fund	1,665,000		1,665,000
Total Transfers Out	<u>\$ 4,430,000</u>	<u>\$ 1,050,000</u>	<u>\$ 5,480,000</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.

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

Note 4. Agency Trust Funds

Agency trust funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments.

The fiscal court has the following agency trust fund:

Jail Inmate Fund - This fund accounts for funds received from inmates. The balance in the jail inmate fund as of June 30, 2018, was \$74,242.

Note 5. Long-term Debt

A. Cassity Governmental Building #1

On November 27, 2007, the Jessamine County Fiscal Court entered into a 20-year lease with the Kentucky Association of Counties Leasing Trust Program in the amount of \$500,000 at an assumed interest rate of 4.63 percent for the construction and renovation of a county administrative building. Payments of interest and fees are due monthly with an annual principal payment due on July 20. The outstanding principal balance as of June 30, 2018 is \$305,000. Future principal and interest payments are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 25,000	\$ 13,115
2020	25,000	11,985
2021	25,000	10,853
2022	30,000	9,515
2023	30,000	8,157
2024-2028	<u>170,000</u>	<u>17,914</u>
Totals	<u>\$ 305,000</u>	<u>\$ 71,539</u>

B. Cassity Governmental Building #2

On May 5, 2008, the Jessamine County Fiscal Court entered into another 20-year lease agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$1,000,000 at an assumed interest rate of 4.53 percent to cover additional costs of the construction and renovation of the county administrative building. Payments of interest and fees are due monthly with an annual principal payment due on September 20. The outstanding principal balance as of June 30, 2018, is \$600,000. Future principal and interest payments are:

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

Note 5. Long-term Debt (Continued)

B. Cassity Governmental Building #2 (Continued)

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 50,000	\$ 25,165
2020	50,000	22,973
2021	55,000	20,612
2022	55,000	18,198
2023	60,000	15,618
2024-2028	330,000	35,707
Totals	<u>\$ 600,000</u>	<u>\$ 138,273</u>

C. Energy Conservation

On March 22, 2011, the Jessamine County Fiscal Court entered into a ten-year lease agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$599,788 at an assumed interest rate of 4.25 percent to finance the acquisition, construction, installation, and equipping of energy savings projects including new windows and HVAC systems. Principal and interest payments are due monthly. The outstanding principal balance as of June 30, 2018, is \$164,942. Future principal and interest payments are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 59,979	\$ 6,483
2020	59,979	3,663
2021	44,984	886
Totals	<u>\$ 164,942</u>	<u>\$ 11,032</u>

D. Land #1

On February 9, 2015, the Jessamine County Fiscal Court entered into a five-year lease agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$228,225 at a fixed interest rate of 3.25 percent to finance the acquisition of land related to the jail. Principal and interest payments are due monthly. The outstanding balance as of June 30, 2018, is \$80,305. Future principal and interest payments are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 47,661	\$ 1,904
2020	32,644	399
Totals	<u>\$ 80,305</u>	<u>\$ 2,303</u>

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

Note 5. Long-term Debt (Continued)

E. Land #2

On June 23, 2015, the Jessamine County Fiscal Court entered into another five-year lease agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$50,000 at a fixed interest rate of 3.25 percent to finance the acquisition of land related to jail. Principal and interest payments are due monthly. The outstanding balance as of June 30, 2018, is \$20,951. Future principal and interest payments are:

Fiscal Year Ending June 30	Principal	Interest
2019	\$ 10,324	\$ 528
2020	10,627	187
Totals	<u>\$ 20,951</u>	<u>\$ 715</u>

F. General Obligation Bonds - Series 2017

On June 16, 2017, the Jessamine County Fiscal Court issued \$699,100 of General Obligation Bonds, Series 2017. The bond issue was required by the USDA to collateralize the USDA loan (See Note 5). Proceeds from the bond will be used for the purpose of financing (a) the acquisition and development of Camp Nelson and used for a public purpose located within the geographical boundaries of the county; (b) payment in full of the outstanding balance of interim financing incurred by the county to initially finance the acquisition of Camp Nelson; (c) payment of accrued interest, if any; and (d) payment of the cost of issuance with respect to the issuance of the bonds. Interest on the outstanding principal amount shall be payable on January 1 and July 1, commencing January 1, 2017. Interest only shall be paid for the first two years from the date of the original issue. Thereafter, the bond shall mature as to principal on January 1, 2019, and each January 1 thereafter through and including January 1, 2056. The outstanding principal balance as of June 30, 2018, is \$699,100. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Interest
2019	\$ 10,390	\$ 20,099
2020	10,689	19,800
2021	10,943	19,547
2022	11,311	19,178
2023	11,636	18,853
2024-2028	63,339	89,106
2029-2033	72,944	79,501
2034-2038	84,106	68,339
2039-2043	96,919	55,526
2044-2048	111,681	40,764
2049-2053	128,682	23,763
2054-2056	86,460	5,020
Totals	<u>\$ 699,100</u>	<u>\$ 459,496</u>

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

Note 5. Long-term Debt (Continued)

G. Changes In Long-term Debt

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

	Beginning Balance	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 699,100	\$	\$ 699,100	\$ 10,390
Financing Obligations	1,362,309	191,111	1,171,198	192,964
Total Long-term Debt	<u>\$ 2,061,409</u>	<u>\$ 191,111</u>	<u>\$ 1,870,298</u>	<u>\$ 203,354</u>

Note 6. Commitments and Contingencies

The county is involved in a lawsuit that arose from the normal course of doing business. Due to the uncertainty of the litigation, a reasonable estimate of the financial impact on the county cannot be made at this time.

Note 7. 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 \$1,800,235, FY 2017 was \$1,894,664, and FY 2018 was \$1,960,844.

Nonhazardous

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 6 percent of their salary to be allocated as follows: 5 percent will go to the member's account and 1 percent will go to the KRS insurance fund.

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

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

Note 7. Employee Retirement System (Continued)

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.

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.

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

Note 7. Employee Retirement System (Continued)

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 received 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.

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 8. Deferred Compensation

The Jessamine 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.

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

Note 9. Health Reimbursement Account/Flexible Spending Account

The Jessamine County Fiscal Court established a health reimbursement account to provide employees an additional health benefit. The county contracted with a third-party administrator to administer the plan. The plan provides \$2,400 per employee. Employees may also contribute additional pre-tax funds through payroll deduction.

Note 10. Health Insurance Fund

Jessamine County Fiscal Court participates in a self-funded insurance plan. The county has contracted with a third-party administrator to administer the plan. The county maintains one insurance plan with various levels of coverage (i.e., single, family, etc.). The plan covers all county employees. The fiscal court elected to purchase a stop-loss policy to cover losses from individual and aggregate claims once the county reaches the individual and aggregate attachment points. Employees are required to assume liability claims in excess of maximum lifetime reimbursements established by the insurance company.

Note 11. Insurance

For the fiscal year ended June 30, 2017, the Jessamine 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 12. Conduit Debt

From time to time, the county has issued bonds to provide financial assistance to industries in Jessamine County 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 Jessamine 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. As of June 30, 2018, conduit debt has been issued but the amount currently outstanding is not reasonably determinable.

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

Note 13. Tax Abatement

The occupational tax license fee was abated under the authority of the Kentucky Business Investment (KBI) Program. SMC, LLC (the company) is eligible to receive this tax abatement as a result of its commitment to create certain jobs and investments in Nicholasville, Kentucky. The taxes are abated by allowing the company to retain or have rebated to them 0.40 percent of subject wages and compensation earned in Jessamine County, Kentucky in accordance with the Jessamine County Occupational License Fee ordinance for ten years from approval of the project by KBI. Abatement of taxes can be suspended if the company does not maintain the required baseline of 100 employees and at least 94 employees associated with the new Kentucky Business Investment Program Project. For fiscal year ended June 30, 2018, Jessamine County Fiscal Court abated occupational taxes totaling \$9,647.

Note 14. Prior Period Adjustments

	General Fund	LGEA Fund	Total Funds
Fund Balance - Beginning	\$ 4,436,792	\$ 200,137	\$ 5,654,000
Prior Year Outstanding			
Checks Voided	35	1,440	1,475
Fund Balance - Beginning (Adjusted)	\$ 4,436,827	\$ 201,577	\$ 5,655,475

JESSAMINE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2018

JESSAMINE 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	\$ 9,960,130	\$ 9,960,130	\$ 11,566,530	\$ 1,606,400
Excess Fees	764,632	764,632	912,794	148,162
Licenses and Permits	159,500	159,500	266,725	107,225
Intergovernmental	618,040	3,912,040	3,955,681	43,641
Charges for Services	285,000	285,000	480,798	195,798
Miscellaneous	923,409	923,409	1,262,318	338,909
Interest	3,500	3,500	30,333	26,833
Total Receipts	12,714,211	16,008,211	18,475,179	2,466,968
DISBURSEMENTS				
General Government	3,903,173	7,247,083	7,016,646	230,437
Protection to Persons and Property	310,120	341,412	331,366	10,046
General Health and Sanitation	1,257,208	1,417,083	1,408,569	8,514
Social Services	176,680	176,680	172,865	3,815
Recreation and Culture	770,827	777,347	728,934	48,413
Other Transportation Facilities and Services	173,382	173,382	154,206	19,176
Debt Service	246,406	248,806	246,315	2,491
Capital Projects	565,777	401,675	367,449	34,226
Administration	5,837,131	5,751,236	5,163,726	587,510
Total Disbursements	13,240,704	16,534,704	15,590,076	944,628
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(526,493)	(526,493)	2,885,103	3,411,596
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			1,050,000	1,050,000
Transfers To Other Funds	(3,465,000)	(3,465,000)	(4,430,000)	(965,000)
Total Other Adjustments to Cash (Uses)	(3,465,000)	(3,465,000)	(3,380,000)	85,000
Net Change in Fund Balance	(3,991,493)	(3,991,493)	(494,897)	3,496,596
Fund Balance - Beginning (Restated)	3,991,493	3,991,493	4,436,827	445,334
Fund Balance - Ending	\$ 0	\$ 0	\$ 3,941,930	\$ 3,941,930

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

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,122,864	\$ 1,122,864	\$ 1,224,905	\$ 102,041
Miscellaneous	500	500	1,550	1,050
Interest	100	100	10,680	10,580
Total Receipts	1,123,464	1,123,464	1,237,135	113,671
DISBURSEMENTS				
Roads	1,095,864	1,270,814	1,015,496	255,318
Capital Projects	72,000	171,500	171,182	318
Administration	605,600	331,150	84,758	246,392
Total Disbursements	1,773,464	1,773,464	1,271,436	502,028
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(650,000)	(650,000)	(34,301)	615,699
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			1,050,000	1,050,000
Transfers To Other Funds			(1,050,000)	(1,050,000)
Total Other Adjustments to Cash (Uses)				
Net Change in Fund Balance	(650,000)	(650,000)	(34,301)	615,699
Fund Balance - Beginning	650,000	650,000	795,656	145,656
Fund Balance - Ending	\$ 0	\$ 0	\$ 761,355	\$ 761,355

JESSAMINE 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	\$ 696,945	\$ 696,945	\$ 845,857	\$ 148,912
Charges for Services	113,400	113,400	112,052	(1,348)
Miscellaneous	43,500	43,500	74,628	31,128
Interest	200	200	532	332
Total Receipts	854,045	854,045	1,033,069	179,024
DISBURSEMENTS				
Protection to Persons and Property	2,392,198	2,415,524	2,398,873	16,651
Administration	369,133	345,807	336,845	8,962
Total Disbursements	2,761,331	2,761,331	2,735,718	25,613
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)				
	(1,907,286)	(1,907,286)	(1,702,649)	204,637
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,850,000	1,850,000	1,715,000	(135,000)
Total Other Adjustments to Cash (Uses)	1,850,000	1,850,000	1,715,000	(135,000)
Net Change in Fund Balance	(57,286)	(57,286)	12,351	69,637
Fund Balance - Beginning	57,286	57,286	38,992	(18,294)
Fund Balance - Ending	\$ 0	\$ 0	\$ 51,343	\$ 51,343

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

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 140,000	\$ 140,000	\$ 164,892	\$ 24,892
Miscellaneous	8,475	8,475	8,476	1
Interest	250	250	2,726	2,476
Total Receipts	148,725	148,725	176,094	27,369
DISBURSEMENTS				
General Government	55,000	183,128	179,689	3,439
Recreation and Culture	16,950	22,740	22,739	1
Roads	150,000	52,072		52,072
Administration	86,775	50,785		50,785
Total Disbursements	308,725	308,725	202,428	106,297
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(160,000)	(160,000)	(26,334)	133,666
Net Change in Fund Balance	(160,000)	(160,000)	(26,334)	133,666
Fund Balance - Beginning (Restated)	160,000	160,000	201,577	41,577
Fund Balance - Ending	\$ 0	\$ 0	\$ 175,243	\$ 175,243

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

EMERGENCY SERVICES FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 380,000	\$ 380,000	\$ 356,833	\$ (23,167)
Intergovernmental	190,000	190,000	299,657	109,657
Charges for Services	2,097,000	2,097,000	1,986,277	(110,723)
Miscellaneous	100	100	1,007	907
Interest	200	200	965	765
Total Receipts	2,667,300	2,667,300	2,644,739	(22,561)
DISBURSEMENTS				
Protection to Persons and Property	3,446,566	3,455,909	3,334,171	121,738
Administration	926,597	917,254	864,220	53,034
Total Disbursements	4,373,163	4,373,163	4,198,391	174,772
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,705,863)	(1,705,863)	(1,553,652)	152,211
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,615,000	1,615,000	1,665,000	50,000
Total Other Adjustments to Cash (Uses)	1,615,000	1,615,000	1,665,000	50,000
Net Change in Fund Balance	(90,863)	(90,863)	111,348	202,211
Fund Balance - Beginning	90,863	90,863	100,009	9,146
Fund Balance - Ending	\$ 0	\$ 0	\$ 211,357	\$ 211,357

JESSAMINE 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.

JESSAMINE COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018

JESSAMINE 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	Transfers	Ending Balance
Land and Land Improvements	\$ 4,602,605	\$ 45,805			\$ 4,648,410
Construction In Progress	399,385	289,528		(103,385)	585,528
Buildings and Building Improvements	19,239,972	185,744		103,385	19,529,101
Other Equipment	4,333,816	272,494	111,373		4,494,937
Vehicles and Equipment	2,880,684	261,840	426,731		2,715,793
Vehicles and Equipment - Jail	117,797	18,479			136,276
Infrastructure	53,643,973	677,811			54,321,784
 Total Capital Assets	 \$ 85,218,232	 \$ 1,751,701	 \$ 538,104	 \$ 0	 \$86,431,829

JESSAMINE 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.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Other Equipment	\$ 2,500	3-25
Vehicles and Equipment	\$ 2,500	3-25
Infrastructure	\$ 20,000	10-50

JESSAMINE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2018

JESSMAINE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity's Identifying Number	Provided to Subrecipient	Total Federal Expenditures
<u>U. S. Department of Homeland Security</u>				
<i>Passed-Through Kentucky Department of Military Affairs</i>				
Chemical Stockpile Emergency Preparedness Program	97,040	PO2 095 16000047101	\$ -	\$ 205,505
Emergency Management Program	97,042	PO2 094 16000027272	-	25,555
Total U.S. Department of Homeland Security			\$ -	\$ 231,060
<u>U. S. Department of Transportation</u>				
<i>Passed-Through Kentucky Department of Transportation</i>				
Genset Revolution Grant	20.205	PO2 628 1100002145	\$ 3,294,000	\$ 3,294,000
Total U.S. Department of Transportation			3,294,000	3,294,000
Total Expenditures of Federal Awards			\$ 3,294,000	\$ 3,525,060

** Tested as Major Program

The accompanying notes are an integral part of this schedule

JESSAMINE COUNTY**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS****June 30, 2018****Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Jessamine County, Kentucky under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Jessamine County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Jessamine County, Kentucky.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported 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. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rate

Jessamine County has not adopted an indirect cost rate.

**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***



Roy W. Hunter, CPA, PLLC

The Honorable David K. West, Jessamine County Judge/Executive
Members of the Jessamine 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 Jessamine County Fiscal Court for the fiscal year ended June 30, 2018, and the related notes to the financial statement which collectively comprise the Jessamine County Fiscal Court's financial statement and have issued our report thereon dated January 31, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Jessamine 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 Jessamine County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Jessamine County Fiscal Court's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified a certain deficiency in internal control, which is described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency as item: 2018-001.

1890 Star Shoot Parkway
Suite 170-147
Lexington, KY 40509

859-806-5342
Roy.Hunter@CPA.com

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 Jessamine County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

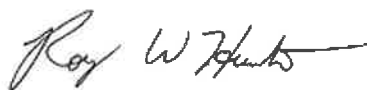
Views of Responsible Officials and Planned Corrective Action

Jessamine County's views and planned corrective action for the findings identified in our audit are included in the accompanying Schedule of Findings and Questioned Costs. 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,



Roy W. Hunter, CPA, PLLC
Lexington, Kentucky

January 31, 2019

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH UNIFORM GUIDANCE**



Roy W. Hunter, CPA, PLLC

The Honorable David K. West, Jessamine County Judge/Executive
Members of the Jessamine County Fiscal Court

Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With Uniform Guidance

Independent Auditor's Report

Report on Compliance for Each Major Federal Program

We have audited the Jessamine County Fiscal Court's compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Jessamine County Fiscal Court's major federal programs for the year ended June 30, 2018. The Jessamine County Fiscal Court's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Jessamine County Fiscal Court's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Jessamine County Fiscal Court's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Jessamine County Fiscal Court's compliance.

1890 Star Shoot Parkway
Suite 170-147
Lexington, KY 40509

859-806-5342
Roy.Hunter@CPA.com

Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With Uniform Guidance
(Continued)

Opinion on Each Major Federal Program

In our opinion, the Jessamine County Fiscal Court complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

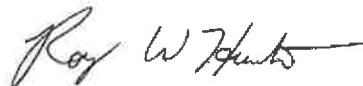
Management of the Jessamine County Fiscal Court is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Jessamine County Fiscal Court's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Jessamine County Fiscal Court's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Roy W. Hunter, CPA, PLLC
Lexington, Kentucky

January 31, 2019

**JESSAMINE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For The Year Ended June 30, 2018

**JESSAMINE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For The Year Ended June 30, 2018

Section I: Summary of Auditor's Results

Financial Statements

Type of report auditor issued: *Adverse on GAAP and Unmodified on Regulatory Basis.*

Internal control over financial reporting:

Are any material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are any significant deficiencies identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None Reported
Are any noncompliances material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Federal Awards

Internal control over major programs:

Are any material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are any significant deficiencies	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Type of auditor's report issued on compliance for major federal programs: <i>Unmodified</i>		
Are any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.205	Genset Revolution

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

JESSAMINE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2018
(Continued)

Section II: Financial Statement Findings

State Laws And Regulations – None.

Internal Control - Material Weaknesses – None.

Internal Control - Significant Deficiency:

2018-001 The Jessamine County Jailer Lacks Internal Controls Over Receipts (Significant deficiency)

The Jessamine County Jail's inmate funds are deposited into the Tiger bank account. The majority of funds deposited into this account are deposited by Telmate employees (who administer the kiosk that funds are inserted into for inmates). However, no reconciliation is performed to compare the deposits per the bank statement to the report from the kiosk. Auditors noted on the June 2018 bank reconciliation for the Tiger bank account, fourteen outstanding deposits from 2013, 2014, 2015, 2016 and 2017 totaling \$3,671. Jail staff did not know why the deposits were outstanding or what the receipt was for. In reference to any manual deposit, jail staff are responsible for depositing money orders received by mail into this account. Jail staff record the money orders on a deposit log that is signed by two people, which does help to provide some assurance that manual deposits are correctly deposited.

Internal controls were not in place to ensure that the Tiger account reconciliation is accurate, or the monies deposited into the Tiger account are correctly credited to the inmate's account.

The reconciliation and/or cash balances may not be accurate.

Per the DLG Budget Manual, "A monthly cash reconciliation shall be maintained...Daily deposits are required. At the end of each business day the Jailer or assigned personnel should separate individual receipts into categories listed on the check-out sheet. The total of each category should be entered on the appropriate space provided. The amount deposited line should equal the amount of money on hand at the end of each day less start-up cash. A maximum of fifty dollars shall be used for start-up for the next business day. All daily detail (deposit form, cash receipts, etc.) should be attached to the form. If the total daily de-posit is correct, post to the Jail Commissary Fund Receipts Journal."

The Jailer should regularly reconcile the Tiger Bank Account to receipt reports, to ensure that all inmate funds received are deposited into the Tiger Bank Account and inmate accounts are credited. Additionally, the Jailer should determine if outstanding deposits are true outstanding deposits.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The Jailer will response to the finding.

County Jailer's Response: We have contacted Tiger and Telmate of the outstanding deposits not reconciled. All of the deposits are ACH deposits. Telmate is checking into this and will contact us as soon as they have an answer.

Section III: Federal Award Findings And Questioned Costs

None.

Section IV: Summary Schedule of Prior Audit Findings

Finding Number	Prior Year Finding Title	Status	Corrective Action
2017-001	The Jessamine County Fiscal Court Did Not Prepare Purchase Orders.	Resolved.	Purchase orders are now being prepared for all purchases.
2017-002	The Jessamine County Jailer Lacks Internal Controls Over Receipts	Unresolved.	See corrective action for current year finding 2018-001.

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

JESSAMINE COUNTY FISCAL COURT

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

Appendix A

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
JESSAMINE COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2018

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



County Judge/Executive



County Treasurer